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**DEPARTMENT OF THE NAVY
JUSTIFICATION OF ESTIMATES
AMENDED FY 1990/1991 BIENNIAL
BUDGET**

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SUBMITTED TO CONGRESS JANUARY 1989
OPERATION & MAINTENANCE, NAVY

AD-A205 755 **BOOK 4 OF 4**

DEPARTMENT OF THE NAVY INDUSTRIAL FUND

DISTRIBUTION STATEMENT A

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Department of the Navy
Navy Industrial Fund
Summary of Operations

Industrial Fund Functions: The Navy Industrial Fund includes the majority of the Navy's depot level repair facilities (such as shipyards, aviation depots, and ordnance facilities), base service centers, research and engineering facilities, and the Military Sealift Command. The forty-nine different Navy Industrial Fund activities are funded under the following activity groups:

Aeronautical Engineering Centers: Provides research, development, test and evaluation, as well as engineering support, for various weapon systems.

Naval Air Test Centers: Provides engineering services in support of various aircraft and weapon systems. Also conducts tests and evaluation of such systems.

Military Sealift Command: Provides transportation services over the water, as well as other at sea logistical and scientific support services.

Data Automation Centers: Provides regional automated data processing services.

Naval Aviation Depots: Performs a complex range of depot level rework operations on designated weapon systems, accessories, and equipment.

Naval Civil Engineering Center: Provides research and engineering efforts in support of shore facilities.

Publication and Printing Service: Serves as the central organization for publication and printing of Navy documents.

Ordnance Facilities: Provides technical, engineering and logistics support for various combat systems, components, support systems, and related equipment.

Public Works Centers: Provides utilities, base housing, transportation services, engineering services and other logistics and support services for shore facilities.

Naval Research Laboratory: Provides multi-disciplined scientific research programs and advanced technological development in emerging areas.

Naval Shipyards: Provides logistics support for ships, including conversion, overhaul, repair, alteration, and outfitting.

Space and Naval Warfare Research and Development Centers: Conducts research, development, test and evaluation as required by its customers (primarily the Research, Development, Test and Evaluation, Navy appropriation).

Department of the Navy
Navy Industrial Fund
Summary of Operations

Budget Highlights: With the exception of an FY 1989 transfer of ACP funds, discussed separately, this budget reflects Congressional action through the appropriations conference.

Approximately 89% of new customer orders for the Navy Industrial Fund in FY 1990 and 88% in FY 1991 are anticipated to come from the Navy customers, with approximately 50% from Operation and Maintenance appropriations.

As directed by the Congress, the FY 1989 Asset Capitalization Program, has been reduced by \$80.0 million. Additionally, the program will be held at or below the FY 1989 level throughout the budget period. Although this program level does not keep pace with new equipment requirements, the reduced authorization level will enable the activities to restore the management controls that were developed when the program was first initiated.

The FY 1989 President's Amended Budget provided for the transition of NIF research and engineering activities to appropriated funding operations beginning in FY 1990. Since the time of that submission, it has been determined that these activity groups should remain within the Industrial Fund. Data presented herein portrays the groups (Aeronautical Engineering Centers, Naval Air Test Centers, Naval Civil Engineering Laboratory, Naval Research Laboratory and Space and Naval Warfare Research and Development Centers) as NIF activities in all years.

Rates for FY 1990 and FY 1991 have been established at anticipated costs plus surcharge for the Asset Capitalization Program (ACP). Because of the poor cash position in FY 1989, this budget proposes to retain, as opposed to a transfer to Operation and Maintenance, Navy, the \$80.0 million in excess ACP surcharges. The Industrial Fund cash required for operations is a negative balance for FY 1989. In addition, because of losses through the FY 1989 program, passthroughs of \$450 million in FY 1990 and \$638.9 million in FY 1991 are required. These amounts have been included in the FY 1990 and FY 1991 Operation and Maintenance, Navy (Budget Activity 7) request.

Recently, the Standard Accounting and Financial System (STAFS) has been under the scrutiny of the Congress and the target of investigation by GAO, DODIG and the Naval Audit Service. This system, which has been under development since FY 1979, has been financed by the affected industrial fund activities as a shared cost. Following a further review by the Department of STAFS' status and the ability of existing financial systems to fulfill the requirements of law (Federal Managers Financial Integrity Act (FMFIA), OMB Circular 127, and GAO Title II), it was decided to cancel the project. Therefore, funding for STAFS development will terminate in FY 1989.

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part I

Summary of Operations:

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue*	14,005.3	15,023.2	15,084.4	15,245.9
Cost of Goods and Services Sold*	14,316.6	15,246.0	15,114.4	15,246.6
Revenue Less Costs	-311.3	-222.8	-30.0	-.7
ACP Surcharge	-233.9	-51.3	-.1	15.6
Net Operating Results	-545.2	-274.1	-30.1	14.9
Prior Year and Other Adjustments	-45.9	-94.2	-41.6	-17.8
Transfers & Passthroughs (Net)	-	472.3	450.0	638.9
Accumulated Operating Results	-1,143.8	-1,039.8	-661.5	-25.5

* Includes amounts of \$243.1 million in FY 1989, \$246.6 million in FY 1990, and \$253.9 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part II

Summary of Changes in Operations:

	(In Millions of Dollars)		
	FY 1988	FY 1988	
	<u>Estimate</u>	<u>Actual</u>	<u>Variance</u>
Revenue	14,392.0	14,005.3	-386.7
Cost of Goods Sold	14,246.8	14,316.6	69.8
Revenue Less Costs	145.2	-311.3	-456.5
ACP Surcharges	-233.8	-233.9	-.1
Net Operating Results	-88.6	-545.2	-456.6

Variances in Net Operating Results
by Activity Group:

Aeronautical Engineering Centers	17.2	-27.1	-44.3
Naval Air Test Centers	12.6	-6.3	-18.9
Military Sealift Command	-317.3	-300.5	16.8
Data Automation Centers	6.9	3.3	-3.6
Naval Aviation Depots	114.5	47.7	-66.8
Naval Civil Engineering Center	.7	-9.6	-10.3
Publication and Printing Service	2.8	-6.5	-9.3
Ordnance Facilities	-3.9	-32.5	-28.6
Public Works Centers	57.1	-4.4	-61.5
Naval Research Laboratory	11.0	5.3	-5.7
Naval Shipyards	-22.4	-222.5	-200.1
Space and Naval Warfare R&D Centers	32.2	7.9	-24.3

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part II

Summary of Changes in Operations (Continued):

	(In Millions of Dollars)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Costs</u>	<u>Net Operating Results</u>
1. FY 1989 Estimate in President's Budget	13,516.4	14,495.3	14,495.3	-
2. Congressional Adjustments:	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience:	-	-	69.4	-69.4
4. Pricing Adjustments: (Revised)				
a. Pay Raise				
(1) FY 1989 Pay Raise	-	-	72.7	-72.7
b. Military Personnel - Notional Amounts - Military Personnel amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.	-	14.1	14.1	-
c. Other	-	-	.8	-.8
5. Productivity Initiatives and Other Efficiencies:				
Military Sealift Command	-	-	-7.9	7.9
Publications and Printing Service	-	-	-1.8	1.8
Ordnance Facilities	-	-	-.8	.8
Public Works Centers	-	-	-2.9	2.9
Naval Shipyards	-9.6	-15.9	-36.9	21.0

Exhibit IF-A, Part II

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part II

Summary of Changes in Operations (Continued):

	(In Millions of Dollars)			
	Customer <u>Orders</u>	<u>Revenue</u>	<u>Costs</u>	Net Operating <u>Results</u>
6. Program Changes:				
Aeronautical Engineering Centers	91.1	17.6	17.6	-
Naval Air Test Centers	130.3	78.5	62.7	15.8
Military Sealift Command	130.2	130.1	66.1	64.0
Data Automation Centers	-1.2	-3.7	-11.1	7.4
Naval Aviation Depots	-13.9	-15.4	-15.4	-
Naval Civil Engineering Center	6.4	6.4	6.7	-.3
Publication and Printing Service	5.9	-.3	2.4	-2.7
Ordnance Facilities	359.3	130.5	191.8	-61.3
Public Works Centers	-3.1	-	-26.4	26.4
Naval Research Laboratory	19.1	19.1	19.1	-
Naval Shipyards	128.0	151.2	290.7	-139.5
Space and Naval Warfare R&D Centers	-65.7	-73.3	-73.4	.1
7. Other Changes in:				
a. Depreciation Expenses	-	-	-42.5	42.5
b. ACP Surcharges	-	-	-55.6	55.6
c. Passthrough	72.7	-	-	-
d. Other	-7.8	89.0	262.6	-173.6
8. FY 1989 Current Estimate	14,358.1	15,023.2	15,297.3	-274.1
9. Pricing Adjustments:				
a. Pay Raise				
(1) FY 1990 Pay Raise	75.8	75.8	75.8	-
(2) Annualization of Prior Year Pay Raise(s)	106.3	106.3	106.3	-
b. Stock Fund - Fuel	-29.2	-29.2	-29.2	-
c. Stock Fund - Nonfuel	-10.7	-10.7	-10.7	-
d. Industrial Fund Purchases	20.7	20.7	20.7	-
e. General Purchase Inflation	202.9	202.9	205.8	-2.9
f. Military Personnel - Notional Amounts	-	2.9	2.9	-
g. Other	56.3	56.3	56.3	-

Exhibit II-a, Part II

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part II

Summary of Changes in Operations (Continued):

	(In Millions of Dollars)			
	Customer <u>Orders</u>	<u>Revenue</u>	<u>Costs</u>	Net Operating <u>Results</u>
10. Productivity Initiatives and Other Efficiencies:				
Data Automation Centers	-.2	-.2	-.2	-
Publication and Printing Service	-3.4	-3.4	-3.4	-
Ordnance Facilities	-28.5	-28.5	-28.5	-
Public Works Centers	-10.0	-10.0	-10.0	-
Naval Shipyards	-28.8	-28.8	-28.8	-
Space and Naval Warfare R&D Centers	-21.3	-21.3	-21.3	-
11. Program Changes:				
Aeronautical Engineering Centers	9.6	1.9	1.9	-
Naval Air Test Centers	-3.3	2.0	2.0	-
Military Sealift Command	-9.4	-9.4	-9.4	-
Data Automation Centers	-.6	-.6	-.6	-
Naval Aviation Depots	4.8	-70.0	-70.0	-
Naval Civil Engineering Center	-2.1	-1.8	-1.8	-
Publication and Printing Service	5.9	4.3	4.3	-
Ordnance Facilities	-36.7	-7.1	-7.1	-
Public Works Centers	-5.2	-5.2	-5.2	-
Naval Research Laboratory	-	-	-	-
Naval Shipyards	1,044.9	-263.3	-389.1	125.8
Space and Naval Warfare R&D Centers	-.8	-.8	-.8	-
12. Other Changes in:				
a. Depreciation Expenses	37.6	37.6	37.6	-
b. ACP Surcharges	-51.2	-51.2	-51.2	-
c. Other Rate Changes	196.6	129.6	-	129.6
d. Passthrough	-22.3	-	-	-
e. Other	-49.9	-37.6	-29.1	-8.5
13. FY 1990 Estimate	15,805.9	15,084.4	15,114.5	-30.1

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part II

Summary of Changes in Operations (Continued):

	(In Millions of Dollars)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Costs</u>	<u>Net Operating Results</u>
14. Pricing Adjustments:				
a. Pay Raise				
(1) FY 1991 Pay Raise	114.2	114.2	114.2	-
(2) Annualization of Prior Year Pay Raise(s)	64.6	64.6	64.6	-
b. Stock Fund - Fuel	10.0	10.0	10.0	-
c. Stock Fund - Nonfuel	-1.2	-1.2	-1.2	-
d. Industrial Fund Purchases	14.5	14.5	14.5	-
e. General Purchase Inflation	195.0	195.0	195.0	-
f. Military Personnel - Notional Amounts	-	7.5	7.5	-
g. Other	41.4	41.3	41.3	-
15. Productivity Initiatives and Other Efficiencies:				
Publication and Printing Service	-3.4	-2.9	-2.9	-
Ordnance Facilities	-3.6	-3.6	-3.6	-
Public Works Centers	-8.8	-8.8	-8.8	-
Naval Shipyards	-25.0	-25.0	-25.0	-
Space and Naval Warfare R&D Centers	-7.4	-7.4	-7.4	-
16. Program Changes:				
Aeronautical Engineering Centers	-3.8	12.4	12.4	-
Naval Air Test Centers	-1.3	4.2	4.2	-
Military Sealift Command	9.4	9.4	9.4	-
Data Automation Centers	-9.7	-9.6	-9.6	-
Naval Aviation Depots	-86.4	-183.0	-183.0	-
Naval Civil Engineering Centers	-	-1.3	-1.3	-
Publication and Printing Service	3.7	3.7	3.7	-
Ordnance Facilities	5.5	-.1	-.1	-
Public Works Centers	-8.7	-15.8	-15.8	-
Naval Research Laboratory	-	-	-	-
Naval Shipyards	-1,236.2	-80.7	-110.0	29.3
Space and Naval Warfare R&D Centers	-	-	-	-

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part II

Summary of Changes in Operations (Continued):

(In Millions of Dollars)				
	Customer <u>Orders</u>	<u>Revenue</u>	<u>Costs</u>	Net Operating <u>Results</u>
17. Other Changes in:				
a. Depreciation Expenses	28.6	28.6	28.6	-
b. ACP Surcharges	-26.1	-26.1	-24.2	-1.9
c. Other Rate Changes	12.6	12.6	-	12.6
d. Passthrough	188.9	-	-	-
e. Other	8.3	9.0	4.0	5.0
18. FY 1991 Estimate	15,081.0	15,245.9	15,231.0	14.9

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part III

Summary of New Customer Orders:

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
(Navy) Appropriations and Funds:				
Operation and Maintenance	6,792.1	7,238.0	7,659.6	7,473.0
RDT&E	1,724.0	1,827.7	1,850.8	1,902.4
Procurement	2,009.1	1,764.8	2,527.8	1,867.6
Stock Funds	593.4	535.2	681.1	666.7
Other (Navy) Customers	1,231.1	1,294.0	1,278.1	1,315.3
Other DOD Customers	1,385.3	1,426.6	1,501.1	1,525.3
Non-DOD Customers	<u>170.9</u>	<u>271.8</u>	<u>307.4</u>	<u>330.7</u>
Total All Customers	13,905.9	14,358.1	15,805.9	15,081.0

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength:	<u>178,150</u>	<u>172,394</u>	<u>165,345</u>	<u>163,430</u>
Aeronautical Engineering Centers	5,624	5,652	5,680	5,747
Naval Air Test Centers	7,623	7,428	7,586	7,465
Military Sealift Command	4,936	5,564	5,589	5,454
Data Automation Centers	2,740	2,935	2,882	2,658
Naval Aviation Depots	22,616	22,980	23,149	22,500
Naval Civil Engineering Center	412	431	431	431
Publication and Printing Service	1,732	1,813	1,819	1,825
Ordnance Facilities	20,809	19,598	19,600	19,638
Public Works Centers	13,656	12,176	12,055	11,771
Naval Research Laboratory	3,614	3,642	3,570	3,550
Naval Shipyards	71,059	67,000	60,000	59,500
Space and Naval Warfare R&D Centers	23,329	23,175	22,984	22,891

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part III

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
Workyears:	<u>179,219</u>	<u>175,914</u>	<u>171,059</u>	<u>166,689</u>
Aeronautical Engineering Centers	5,707	5,682	5,686	5,750
Naval Air Test Centers	7,709	7,447	7,572	7,621
Military Sealift Command	4,954	5,088	5,663	5,672
Data Automation Centers	2,850	2,834	2,913	2,702
Naval Aviation Depots	22,879	22,880	23,403	22,709
Naval Civil Engineering Center	424	431	431	431
Publication and Printing Service	1,794	1,772	1,778	1,784
Ordnance Facilities	20,619	19,780	19,795	19,673
Public Works Centers	13,751	13,741	13,504	13,253
Naval Research Laboratory	3,607	3,667	3,620	3,572
Naval Shipyards	71,091	69,122	63,309	60,210
Space and Naval Warfare R&D Centers	23,834	23,470	23,385	23,312

Military Personnel:

	<u>7,773</u>	<u>6,989</u>	<u>7,000</u>	<u>7,021</u>
End Strength:				
Aeronautical Engineering Centers	279	357	349	349
Naval Air Test Centers	1,809	1,584	1,550	1,555
Military Sealift Command	827	920	971	993
Data Automation Centers	377	346	335	331
Naval Aviation Depots	251	270	271	271
Naval Civil Engineering Center	15	17	17	17
Publication and Printing Service	-	-	-	-
Ordnance Facilities	1,819	1,261	1,261	1,262
Public Works Centers	100	95	97	96
Naval Research Laboratory	154	167	169	168
Naval Shipyards	804	660	662	661
Space and Naval Warfare R&D Centers	1,338	1,312	1,318	1,320

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part III

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Military Personnel:				
Workyears:	<u>7,638</u>	<u>6,937</u>	<u>6,974</u>	<u>6,997</u>
Aeronautical Engineering Centers	214	318	353	349
Naval Air Test Centers	1,809	1,584	1,550	1,555
Military Sealift Command	806	897	946	968
Data Automation Centers	377	346	335	331
Naval Aviation Depots	251	270	271	271
Naval Civil Engineering Center	15	17	17	17
Publication and Printing Service	-	-	-	-
Ordnance Facilities	1,799	1,261	1,261	1,262
Public Works Centers	104	97	96	96
Naval Research Laboratory	153	161	168	168
Naval Shipyards	777	660	662	661
Space and Naval Warfare R&D Centers	1,333	1,326	1,315	1,319

Department of the Navy
Navy Industrial Fund
Summary of Operations, Part IV

Summary of Purchases of Capital Assets:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts,				
Beginning of the Year	33.5	189.6	-	-
New Program Amounts	<u>460.2</u>	<u>299.9</u>	<u>288.0</u>	<u>304.0</u>
Total Available Program	<u>493.7</u>	<u>489.5</u>	<u>288.0</u>	<u>304.0</u>
Less Purchases of Equipment	<u>304.1</u>	<u>489.5</u>	<u>288.0</u>	<u>304.0</u>
Available Amounts,				
End of the Year	189.6	-	-	-
Minor Construction Projects	43.3	46.5	49.8	51.0
Management Information Systems	40.9	18.4	14.2	10.0
Total Purchases of Capital Assets	388.3	554.4	352.0	365.0
(Total Outlays)	(551.8)	(637.8)	(516.7)	(417.0)
Total New Program for Capital Assets	544.4	364.8	352.0	365.0
Financing of New Program				
Amounts for Capital Assets	<u>495.1</u>	<u>364.8</u>	<u>352.0</u>	<u>365.0</u>
Depreciation	261.2	313.5	351.9	380.6
Surcharge	233.9	51.3	.1	-15.6

Department of the Navy
Navy Industrial Fund
Program and Financing Summary

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Fund Balance (Unobligated Balance Available) Start of Year	1,433.0	867.3	423.0	1,129.9
New Customer Orders:				
Federal Funds	13,720.2	14,205.0	15,638.2	14,918.5
Trust Funds	134.6	103.9	116.4	114.1
Non Federal Funds	51.2	49.2	51.3	48.5
Total New Customer Orders	13,906.0	14,358.1	15,805.9	15,081.0
Obligations:				
Aeronautical Engineering Centers	426.9	482.1	498.4	516.9
Naval Air Test Centers	843.7	917.1	934.3	983.3
Military Sealift Command	2,012.0	2,176.0	2,133.5	2,249.8
Data Automation Centers	225.5	228.2	236.7	233.9
Naval Aviation Depots	1,668.8	1,820.6	2,021.0	1,924.5
Naval Civil Engineering Center	53.6	47.4	53.0	49.8
Publication and Printing Service	227.3	235.2	243.5	244.3
Ordnance Facilities	1,537.0	1,589.4	1,746.6	1,678.3
Public Works Centers	1,096.0	1,077.2	1,102.1	1,095.4
Naval Research Laboratory	332.8	346.6	349.5	358.3
Naval Shipyards	3,815.2	3,724.7	3,588.4	3,405.1
Space and Naval Warfare R&D Centers	2,232.9	2,157.9	2,192.0	2,271.0
Total Obligations	14,471.7	14,802.4	15,099.0	15,010.6
Fund Balance (Unobligated Balance Available) End of Year	867.3	423.0	1,129.9	1,200.3

Department of the Navy
Navy Industrial Fund
Statement of Financial Condition

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Assets:				
Cash *	354.9	354.9	354.9	354.9
Accounts Receivable	595.2	603.7	601.4	596.7
Advances Made	58.3	57.3	56.8	56.8
Inventories	1,831.9	1,730.7	1,646.3	1,663.3
Other Assets	1,347.2	1,277.0	1,273.2	1,492.6
Capital Property (net)	5,674.0	6,338.0	7,195.4	7,542.1
Total Assets	9,861.5	10,361.6	11,128.0	11,706.4
Liabilities:				
Accounts Payable	931.2	810.6	801.9	796.5
Accrued Liabilities	2,330.5	2,423.6	2,252.4	1,986.4
Advances Received	111.2	106.1	101.8	105.3
Unfunded Liabilities	-	-	-	-
Other Liabilities	86.5	87.8	85.5	85.2
Total Liabilities	3,459.4	3,428.1	3,241.6	2,973.4
Government Equity:				
Appropriations/Reappropriations	283.8	283.8	283.8	283.8
Paid-in Capital (Assets Capitalized Less Liabilities Assumed)	5,210.2	5,514.7	6,066.1	6,281.8
Earnings Used for Operations	2,052.0	2,174.8	2,198.0	2,192.9
Accumulated Operating Results	-1,143.9	-1,039.8	-661.5	-25.5
Total Government Equity	6,402.1	6,933.5	7,886.4	8,733.0
Total Liabilities and Equity	9,861.5	10,361.6	11,128.0	11,706.4
*Includes Cash:				
(Available for Operations)	-538.7	-264.1	-97.0	-44.3
(Required for ACP Purchases)	893.6	619.0	451.9	399.2

Exhibit IF-C

Department of the Navy
Navy Industrial Fund
Statement of Revenue and Expense

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	14,005.3	15,023.2	15,084.4	15,245.9
Expense: *				
Salaries and Wages	6,363.6	6,459.3	6,456.2	6,480.5
Materials, Supplies and Parts	2,075.3	2,336.0	2,189.7	2,204.4
Depreciation	261.2	313.5	351.9	380.6
Fuel	268.4	291.1	264.1	279.1
Contractual Services	5,223.0	5,219.4	5,201.9	5,390.2
Other Expenses	195.6	513.9	512.2	522.6
Subtotal, Cost of Goods and Services Produced	14,387.1	15,133.2	14,976.0	15,257.4
Work in Process:				
Beginning of the Year (+)	2,078.9	2,149.4	2,036.6	1,898.2
End of the Year (-)	-2,149.4	-2,036.6	-1,898.2	-1,909.0
Cost of Goods and Services Sold	14,316.6	15,246.0	15,114.4	15,246.6
Revenue less Expenses	-311.3	-222.8	-30.0	-.7
ACP Surcharge (-)	-233.9	-51.3	-.1	15.6
Net Operating Results	-545.2	-274.1	-30.1	14.9

* Includes amounts of \$243.1 million in FY 1989, \$246.6 million in FY 1990, and \$253.9 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Exhibit IF-D

Department of the Navy
Navy Industrial Fund
Analysis of Changes in Government Equity

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Appropriations/Reappropriations:				
Opening Balance	283.8	283.8	283.8	283.8
Transactions:				
Closing Balance	283.8	283.8	283.8	283.8
Paid-in Capital:				
Opening Balance	4,801.5	5,210.2	5,514.7	6,066.1
Transactions:				
Assets and Liabilities				
Capitalized and Decapitalized	408.7	304.5	551.4	215.7
Closing Balance	5,210.2	5,514.7	6,066.1	6,281.8
Earnings Used for Operations:				
Opening Balance	1,785.1	2,052.0	2,174.8	2,198.0
Transactions:				
ACP Surcharge	233.9	51.3	.1	-15.6
Other Adjustments	33.0	71.5	23.1	10.5
Closing Balance	2,052.0	2,174.8	2,198.0	2,192.9
Accumulated Operating Results:				
Opening Balance	-552.8	-1,143.8	-1,039.8	-661.5
Transactions:				
Net operating gain or loss	-545.2	-274.1	-30.1	14.9
Prior year and other adjustments	-45.9	-94.2	-41.6	-17.8
Transfers				
Passthrough	-	472.3	450.0	638.9
Closing Balance	-1,143.8	-1,039.8	-661.5	-25.5
Total Government Equity End of the Year				
	6,402.1	6,933.5	7,886.4	8,733.0

Exhibit IF-E

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Description of Specific Base Operations Support Functions Performed: The Navy Industrial Fund activities, which include both host and tenant activities, perform a broad range of real property maintenance and base operations support functions in support of the industrial mission and in support of tenant activities.

The major elements of this program are:

Maintenance & Repair of Real Property - Finances scheduled day-to-day recurring maintenance, and emergency service work needed to preserve facilities. In addition, it provides major repairs necessary to bring existing facilities into adequate condition to support assigned missions.

Minor Construction - Finances the erection, installation or assembly of real property facilities; the addition, extension, alteration, conversion or replacement of existing real property facilities; the relocation of real property facilities; and the installation of equipment which becomes part of a facility. Projects financed through the Asset Capitalization Program are not included.

Operation of Utilities - Includes operating expenses for purchased electricity, electricity generating plants, purchased steam and hot water, heat plants, utility distribution systems, waste systems, air conditioning and refrigeration plants.

Other Engineering Support - Includes operating expenses for public works services, engineering services, custodial services, refuse/garbage collection and disposal, snow removal, rental and leasing of real property, and fire protection and firefighting. Additionally, hazardous waste material handling is included in this element and provides for personnel, supplies and training associated with the identification and disposal of hazardous waste.

Payments to GSA - Includes costs to reimburse the General Services Administration in accordance with Public Buildings Amendment Act of 1972 (P.L. 92-313) which requires a users service charge payment to GSA for occupied space.

Administration - Includes the General and Administrative costs for support functions of administration and command, management engineering and industrial management, comptroller services, civilian manpower management, military personnel management, administrative office services, word processing, personnel planning functions, miscellaneous services and functions, support groups/units assigned to those functions. ADP support expenses are shown separately under Automated Data Processing Services.

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Description of Specific Base Operations Support Functions Performed cont'd:

Retail Supply Operations - Includes the costs for support functions of storage and warehousing operations, waterfront operations, stock control, traffic management, inventory control, procurement operations, contract administration and special projects. Supply wholesale and depot operations are excluded.

Maintenance of Installation Equipment - Includes the costs for maintenance of major equipment including: assigned station craft, service and miscellaneous craft, construction equipment, general support, electronic engineering, electronic, weapons and other technical support.

Bachelor Housing Operations and Furnishing - These costs are not included in the industrial fund operations.

Morale, Welfare and Recreation - These costs are not included in the industrial fund operations.

Other Base Services - Includes the cost for support functions including operation and maintenance of vehicles and vehicle transportation, of other transportation equipment, transportation equipment rentals, transportation operations to include railroads, port handling, cranes and tugs, other operating costs, air operations, other base services, port service and operations.

Other Personnel Support - Includes the costs for support functions associated with personnel support. These costs include costs for human goals program and station hospitals, medical and dental clinics.

Base Communications - Includes costs for administrative base communications, telecommunications centers supporting a base complex and base telephone; industrial security networks; paging networks.

Audiovisual - Includes costs of supplies and services required for audiovisual support.

Automated Data Processing - Includes costs for analysis, programming, equipment rental, operations and maintenance, contractual services and supplies. Costs identified to specific customers and costs financed through the Asset Capitalization Program are not included.

Physical Security - Includes costs for physical security.

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Financial Summary of Base Operations Support:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Real Property Maintenance Activities	800.4	873.0	901.1	917.6
Maintenance & Repair of Real Property	318.8	346.4	358.2	362.1
Minor Construction	20.9	26.5	26.7	25.9
Operation of Utilities	288.6	308.1	319.9	328.7
Other Engineering Support	172.1	192.1	196.3	200.9
Other Base Operations Support	1,383.2	1,425.3	1,436.6	1,477.5
Payments to GSA	3.4	3.9	5.5	5.7
Administration	644.4	631.3	630.0	656.4
Retail Supply Operations	63.1	65.2	66.9	69.6
Maintenance of Installation Equipment	149.2	164.0	162.7	165.6
Bachelor Housing Operations and Furnishing	-	-	-	-
Morale, Welfare and Recreation	-	-	-	-
Other Base Services	114.3	118.6	121.3	124.2
Other Personnel Support	.5	.5	.6	.6
Base Communications	64.9	71.3	73.9	75.3
Audiovisual	3.4	3.7	3.9	4.1
Automated Data Processing	251.7	272.5	275.1	277.1
Physical Security	88.3	94.3	96.7	98.9
Base Operations Support by Function	2,183.6	2,298.4	2,337.7	2,395.1
Aeronautical Engineering Centers	77.8	75.2	68.0	75.5
Naval Air Test Centers	52.0	54.8	56.6	57.9
Military Sealift Command	39.0	40.6	37.7	37.9
Data Automation Centers	22.4	23.1	22.8	23.5
Naval Aviation Depots	283.5	298.5	315.8	325.7
Naval Civil Engineering Center	13.5	7.9	7.7	7.9
Publication and Printing Service	8.2	8.3	8.7	8.8
Ordnance Facilities	301.8	320.4	326.1	330.6
Public Works Centers	109.1	99.7	99.5	101.0
Naval Research Laboratory	48.3	55.3	57.4	59.2
Naval Shipyards	759.2	824.8	843.8	855.9
Space and Naval Warfare R&D Centers	468.9	489.8	493.6	511.2
Base Operations Support by Activity Group	2,183.6	2,298.4	2,337.7	2,395.1
Notional Military Personnel Costs	-	60.8	62.2	63.2
Total Base Operations Support	2,183.6	2,359.2	2,399.9	2,458.3

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Summary of Changes in Base Operations Support:

(In Millions of Dollars)

	<u>Cost of Operations</u>
1. FY 1989 President's Budget	2,296.6
2. Congressional Adjustments	-
3. Estimated Impact in FY 1988 of Actual FY 1988 Experience	-
4. Pricing Adjustments:	
a. Pay Raise	
(1) FY 1989 Pay Raise	7.3
(2) Annualization of Prior Year Pay Raise(s)	.1
b. General Purchase Inflation	-.5
c. Foreign National Indirect	.3
d. Other	2.7
5. Productivity Initiatives and Other Efficiencies:	
a. Savings from ACP investments	-4.3
6. Program Changes:	
a. Reduction in maintenance of real property	-2.8
7. Other Changes:	
a. Depreciation	-4.0
b. Other	3.0
8. FY 1989 Current Estimate	2,298.4

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Summary of Changes in Base Operations Support (Continued):

(In Millions of Dollars)

Cost of Operations

8.	FY 1989 Current Estimate	2,298.4
9.	Pricing Adjustments:	
a.	Pay Raise	
1.	FY 1990 Pay Raise	15.2
2.	Annualization of Prior Year Pay Raise	13.2
b.	Stock Fund - Fuel	-1.7
c.	Stock Fund - Nonfuel	-.2
d.	Industrial Fund Purchases	9.2
e.	General Purchase Inflation	33.4
f.	Other	1.5
10.	Productivity Initiatives and Other Efficiencies:	
a.	Savings from ACP investments	-9.0
b.	Savings from NIIP program	-5.2
11.	Program Changes:	
a.	Decrease in ADP usage	-7.2
b.	Decrease in Maintenance of Installation Equipment	-7.2
c.	Decrease in Minor Construction	-.2
12.	Other Changes in:	
a.	Depreciation Expense	5.6
b.	Other	-8.1
13.	FY 1990 Current Estimate	2,337.7

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Summary of Changes in Base Operations Support (Continued):

(In Millions of Dollars)

	<u>Cost of Operations</u>
13. FY 1990 Current Estimate	2,337.7
14. Pricing Adjustments:	
a. Pay Raise	
1. FY 1991 Pay Raise	19.4
2. Annualization of Prior Year Pay Raise	14.3
b. Stock Fund - Fuel	.9
c. Stock Fund - Nonfuel	-1.6
d. Industrial Fund Purchases	6.5
e. General Purchase Inflation	29.2
g. Other	1.4
15. Productivity Initiatives and Other Efficiencies:	
a. Savings from ACP investment	-6.4
b. Savings from NIIP program	-4.9
16. Program Changes:	
a. Decrease in ADP usage	-7.1
b. Decrease in maintenance of real property	-2.2
17. Other Changes in:	
a. Depreciation Expense	7.1
b. Other	.8
18. FY 1991 Estimate	2,395.1

Performance Criteria and Evaluation

Title

	<u>FY 1988</u>	<u>FY 1989</u> <u>Estimate</u>	<u>FY 1990</u> <u>Request</u>	<u>FY 1991</u> <u>Request</u>
A. Maintenance/Repair, Real Property (\$000)				
Military Personnel W/Y	318,762	346,407	358,246	362,075
Civilian Personnel W/Y	3	3	3	3
Total Personnel Workyears (W/Y)	2,525	2,437	2,420	2,404
Recurring Maintenance/Repair (\$000)	2,528	2,440	2,423	2,407
Major Repair Projects (\$000)	222,863	231,788	234,989	243,891
Backlog, Maintenance & Repair (\$000)	95,899	114,619	123,257	118,184
Unaccompanied Personnel Housing Floor Space (000 sq. ft.)	524,252	596,663	668,838	748,570
All Other Floor Space (000 sq. ft.)	11,676	11,676	11,676	11,676
	105,001	106,739	107,025	107,285
B. Minor Construction (\$000)				
Military Personnel W/Y	20,870	26,471	26,741	25,895
Civilian Personnel W/Y	0	0	0	0
Total Personnel W/Y	83	96	102	104
Number of Projects	83	96	102	104
	788	788	801	798
C. Operation of Utilities (\$000)				
Military Personnel W/Y	288,637	308,058	319,916	328,733
Civilian Personnel W/Y	0	0	0	0
Total Personnel W/Y	634	688	710	694
Electricity (MWH)	634	688	710	694
Heating (MBTU)	2,171,256	2,211,759	2,220,966	2,051,436
Water, Plants & Systems (000 gals)	13,543,586	13,704,001	13,737,360	13,962,913
Sewage & Waste Systems (000 gals)	10,199,834	10,414,908	10,391,560	10,455,286
Air Conditioning and Refrigeration (Ton)	4,689,204	4,838,580	4,853,455	4,867,874
	43,019	43,331	43,623	44,002

Title

	FY 1988	FY 1989 Estimate	FY 1990 Request	FY 1991 Request
D. Other Engineering Support (\$000)	172,095	192,070	196,235	200,898
Military Personnel W/Y	1	1	1	1
Civilian Personnel W/Y	2,233	2,246	2,218	2,225
Total Personnel W/Y	2,234	2,247	2,219	2,226
Fire Protection/Prevention, Rescue W/Y	586	586	586	586
Custodial Services (000 sq. ft.)	40,298	41,017	41,227	41,377
Refuse Collection/Disposal (000 cu. yds.)	6,576	6,653	6,732	6,786
E. Payments to GSA (\$000)	3,431	3,902	5,525	5,743
Standard Level User Charges (\$000)	3,431	3,902	5,525	5,743
Leases Space (000 sq. ft.)	128,544	168,544	288,544	288,544
Recurring Reimbursements (\$000)	0	0	0	0
One time Reimbursements (\$000)	0	0	0	0
F. Administration (\$000)	644,393	631,280	629,977	656,451
Military Personnel W/Y	453	448	456	454
Civilian Personnel W/Y	11,848	11,984	11,723	11,610
Total Personnel W/Y	12,301	12,432	12,179	12,064
Number of Bases, Total (CONUS)	133	132	132	132
(Overseas)	108	107	107	107
Population Served, Avg. Total E/S	25	25	25	25
(Military, Avg. E/S)	175,935	170,255	163,076	161,647
(Civilian, Avg. E/S)	45,220	43,894	43,704	43,429
	130,715	126,361	119,372	118,218

Title

	<u>FY 1988</u>	<u>FY 1989</u> <u>Estimate</u>	<u>FY 1990</u> <u>Request</u>	<u>FY 1991</u> <u>Request</u>
G. Retail Supply Operations (\$000)				
Military W/Y	63,137	65,153	66,861	69,574
Civilian W/Y	7	7	7	7
Total Personnel W/Y	1,679	1,638	1,636	1,640
Line Items Carried (000)	1,686	1,645	1,643	1,647
Receipts (000)	102	107	112	118
Issues (000)	272	280	292	299
	862	873	888	902
H. Maintenance of Installation Equipment (\$000)				
Military W/Y	149,142	164,036	162,658	165,593
Civilian W/Y	3	3	3	3
Total Personnel W/Y	2,447	2,467	2,350	2,324
No. of Work Orders	2,450	2,470	2,353	2,327
	82,931	84,346	81,660	82,677
I. Bachelor Housing Ops./Furnr. (\$000)				
Military W/Y	-	-	-	-
Civilian W/Y	-	-	-	-
Total Personnel W/Y	-	-	-	-
No. of Officer Quarters	-	-	-	-
No. of Enlisted Quarters	-	-	-	-
J. Morale, Welfare and Recreation (\$000)				
Military W/Y	-	-	-	-
Civilian W/Y	-	-	-	-
Total Personnel W/Y	-	-	-	-
Population Served, Avg. Total E//S	-	-	-	-
(Military Avg. E/S)	-	-	-	-
(Civilian/Dependents, Avg. E/S)	-	-	-	-

Title

	FY 1988	FY 1989 Estimate	FY 1990 Request	FY 1991 Request
K. Other Base Services (\$000)				
Military E/S	114,275	118,616	121,302	124,179
Civilian E/S	4	4	4	4
Total Personnel E/S	1,841	1,838	1,762	1,754
Number of Motor Vehicles, Total	1,845	1,842	1,766	1,758
(Owned)	8,312	8,475	8,477	8,501
(Leased)	7,120	7,140	7,152	7,217
Number of Miles Driven	1,192	1,335	1,325	1,284
	33,832,903	33,883,392	33,954,878	34,168,074
L. Other Personnel Support (\$000)				
Military W/Y	525	547	584	593
Civilian W/Y	0	0	0	0
Total Personnel W/Y	15	15	15	15
Population Served, Avg. Total E/S	15	15	15	15
(Military, Avg. E/S)	0	0	0	0
(Civilian, Avg. E/S)	0	0	0	0
Meals Served (In Mandays)	0	0	0	0
M. Base Communications (\$000)				
Military W/Y	64,865	71,294	73,911	75,272
Civilian W/Y	43	43	43	43
Total Personnel W/Y	75	74	74	73
Number of Instruments	118	117	117	116
Number of Main Lines	96,644	96,971	97,417	97,497
Daily Average Message Traffic	44,821	45,104	48,213	48,509
Defense Data Network (\$000)	28,221	29,233	32,488	33,148
	808	895	989	1,063

Title

	<u>FY 1988</u>	<u>FY 1989</u> <u>Estimate</u>	<u>FY 1990</u> <u>Request</u>	<u>FY 1991</u> <u>Request</u>
N. Audio Visual (\$000)				
Military W/Y	3,399	3,712	3,940	4,086
Civilian W/Y	23	23	23	23
Total Personnel W/Y	51	51	51	51
	74	74	74	74
O. ADP (\$000)				
Military W/Y	251,749	272,532	275,115	277,079
Civilian W/Y	3	3	3	3
Total Personnel W/Y	2,474	2,661	2,711	2,711
	2,477	2,664	2,714	2,714
P. Physical Security (\$000)				
Military W/Y	88,342	94,289	96,671	98,957
Civilian W/Y	1,299	1,201	1,220	1,202
Total Personnel W/Y	2,114	2,250	2,253	2,246
	3,413	3,451	3,473	3,448

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	27,881	28,367	27,860	27,678
Aeronautical Engineering Centers	938	954	943	948
Naval Air Test Centers	418	420	422	425
Military Sealift Command	492	492	492	506
Data Automation Centers	412	449	379	380
Naval Aviation Depots	1,966	2,075	2,087	2,082
Naval Civil Engineering Center	106	105	103	103
Publication and Printing Service	10	10	10	10
Ordnance Facilities	4,582	4,441	4,327	4,309
Public Works Centers	1,889	1,897	1,816	1,746
Naval Research Laboratory	746	787	784	784
Naval Shipyards	11,073	11,498	11,343	11,242
Space and Naval Warfare R&D Centers	5,249	5,239	5,154	5,143
Workyears	28,019	28,445	28,025	27,851
Aeronautical Engineering Centers	938	954	943	948
Naval Air Test Centers	418	420	422	425
Military Sealift Command	492	492	492	506
Data Automation Centers	412	449	379	380
Naval Aviation Depots	1,966	2,075	2,087	2,082
Naval Civil Engineering Center	106	105	103	103
Publication and Printing Service	10	10	10	10
Ordnance Facilities	4,542	4,339	4,315	4,303
Public Works Centers	1,976	1,986	1,901	1,828
Naval Research Laboratory	749	789	786	786
Naval Shipyards	11,073	11,498	11,343	11,242
Space and Naval Warfare R&D Centers	5,338	5,328	5,244	5,238

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Military Personnel:</u>				
End Strength	<u>1,831</u>	<u>1,737</u>	<u>1,756</u>	<u>1,736</u>
Aeronautical Engineering Centers	26	26	26	26
Naval Air Test Centers	29	29	29	29
Military Sealift Command	24	24	20	20
Data Automation Centers	29	26	25	24
Naval Aviation Depots	158	155	158	158
Naval Civil Engineering Center	-	-	-	-
Publication and Printing Service	-	-	-	-
Ordnance Facilities	1,079	987	988	988
Public Works Centers	99	95	97	96
Naval Research Laboratory	-	-	-	-
Naval Shipyards	245	240	258	240
Space and Naval Warfare R&D Centers	142	155	155	155
Workyears	<u>1,836</u>	<u>1,734</u>	<u>1,761</u>	<u>1,741</u>
Aeronautical Engineering Centers	26	26	26	26
Naval Air Test Centers	29	29	29	29
Military Sealift Command	24	24	20	20
Data Automation Centers	29	26	25	24
Naval Aviation Depots	158	155	158	158
Naval Civil Engineering Center	-	-	-	-
Publication and Printing Service	-	-	-	-
Ordnance Facilities	1,079	987	988	988
Public Works Centers	104	100	102	101
Naval Research Laboratory	-	-	-	-
Naval Shipyards	245	240	258	240
Space and Naval Warfare R&D Centers	142	147	155	155

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Not All Base Operations Support Costs are Recovered Through Stabilized Rates: DoD policy allows the Services to provide appropriated funds for the costs of maintaining unutilized or underutilized plants and facilities being held for mobilization purposes at industrial fund activities. Ordnance Facilities and Naval Shipyards receive funding for this purpose.

Major Range, Test, and Facilities Bases (MRTFB): The MRTFB consists of a broad base of test and evaluation activities managed and operated under uniform guidelines to provide T & E support to DoD components responsible for developing or operating material and weapons systems. Funding of the MRTFB is designed to assure the most effective development and testing of material, as well as to provide for interservice compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing. Activities within the Air Test Centers and the Space and Naval Warfare R&D Centers receive funding for this purpose.

Tenant Activities: Tenant activities, while collocated with industrial fund activities, are not a part of industrial fund operations. Therefore, although base support operation costs are accumulated through the Industrial Fund as a matter of administrative convenience, such costs are billed to the applicable tenant activities or their parent organization. Amounts billed in this manner are generally budgeted in the base operations and real property maintenance programs of the applicable tenant organization. Activities which provide support for tenant activities in this matter are from the following activity groups:

- Naval Air Test Centers
- Ordnance Facilities
- Space and Naval Warfare R&D Centers

Department of the Navy
Navy Industrial Fund
Summary of Base Operations Support

Summary of Base Operations Support Costs
Not Recovered Through Stabilized Rates:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Summary By Activity Group:</u>				
Aeronautical Engineering Centers	9.5	9.7	10.7	11.0
Air Test Centers	252.0	261.9	283.4	300.1
Military Sealift Command	34.6	38.3	38.0	39.2
Ordnance Facilities	98.3	100.5	100.5	103.0
Public Works Centers	19.4	28.7	16.3	14.9
Naval Research Laboratory	1.0	1.0	1.0	1.1
Naval Shipyards	1.0	5.4	5.4	5.5
Space and Naval Warfare R&D Centers	47.5	47.9	48.8	49.9
Total	463.3	493.4	504.1	524.7

Summary By Type of Function:

Major Range, Test, and Facilities Bases	227.7	234.9	254.6	269.7
Tenant Activities	40.4	41.7	42.5	43.9
Un/underutilized Plant	99.4	105.9	105.9	108.5
Other*	95.8	110.9	101.1	102.6
Total	463.3	493.4	504.1	524.7

Summary By Primary Customer:

Navy Appropriation and Funds:				
Operation and Maintenance	227.9	250.2	240.9	246.1
RDT&E	227.8	234.9	254.6	269.7
Other (Navy) Customers	4.8	5.2	5.4	5.5
Other DoD Appropriations/Funds	2.1	2.3	2.3	2.4
Non-DoD Appropriations/Funds	.7	.8	.9	1.0
Total	463.3	493.4	504.1	524.7

* Includes funding for military support, Military Sealift Command Headquarters and public works centers support to public works departments.

Department of the Navy
Navy Industrial Fund
Aeronautical Engineering Centers

Activity Group Function: The Aeronautical Engineering Centers provide services involving the development, engineering, test and evaluation, manufacturing and procurement, systems integration, depot maintenance, and integrated logistics support of assigned avionics, weapon systems, aircraft catapult and arresting systems, and shipboard aeronautical interfaces. In-service engineering support at shore activities and fleet units is also provided.

Activity Group Composition:

<u>Activities</u>	<u>Location</u>
Naval Air Engineering Center (NAEC)	Lakehurst, New Jersey
Naval Avionics Center (NAC)	Indianapolis, Indiana

Budget Highlights: The FY 1989 President's Amended Budget provided for the transition of the Aeronautical Engineering Centers to appropriated fund operations in FY 1990. Subsequently, it was determined that the Centers would remain within the Industrial Fund. This budget portrays the AECs as NIF activities in all years. Approximately 97% of new customer orders in FY 1990 and FY 1991 are anticipated to originate within the Navy with 50% or more of Navy work funded from procurement appropriations.

The dollar value of work and services increases by 5.8% in FY 1989, 0.5% in FY 1990 and 5.7% in FY 1991. The increases are largely the result of budgeted pay raises and general purchase inflation and reflect generally level workload. A passthrough of \$52.6 million in FY 1991 brings AOR to -\$6.3 million.

Asset Capitalization Program (ACP) purchases are budgeted at \$14.7 million for FY 1990 and \$15.1 million in FY 1991. Purchases of equipment constitute 74% of total ACP obligational authority. The program contains funding for equipment to modernize manufacturing technology at NAC. At NAEC, the ACP will be used to replace Civil Engineering Support Equipment (CESE), industrial plant equipment and test equipment as detailed in supporting exhibits. Due to program cancellation, no funding is provided for the Standard Automated Financial System (STAFS) after FY 1989.

Productivity improvements and other savings are being pursued through the purchase of new equipment, the quality circle program, the beneficial suggestion program, and other cost reduction actions. An example of these initiatives is the purchase of engineering workstations that provide engineers with computer aided design and simulation capabilities that can reduce by a half the cost of designing a circuit. Another example of productivity initiatives at the AECs is the Data Package Validation program that validates manufacturing specifications by a comprehensive engineering program for the support of low risk competitive procurements. "Should Cost" studies are another initiative that has resulted in saving on sole source procurements.

Department of the Navy
Navy Industrial Fund
Aeronautical Engineering Centers

Summary of Financial Operations:

		(Dollars in Millions)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue*	427.0	459.8	479.2	506.0
Cost of Goods & Services Sold*	<u>439.9</u>	<u>477.3</u>	<u>479.2</u>	<u>506.0</u>
Revenue Less Costs	-12.9	-17.5	-	-
ACP Surcharges	-14.2	5.5	.4	.5
Inventory Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	-27.1	-12.0	.4	.5
Prior Year & Other Adjustments	5.6	-5.5	-.4	-.5
Transfers and Passthroughs (Net)	-	2.7	-	52.6
Accumulated Operating Results	-44.1	-58.9	-58.9	-6.3

* Includes amounts of \$11.7 million in FY 1989, \$11.5 million in FY 1990 and \$11.8 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Aeronautical Engineering Centers

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	451.3	427.0	-24.3
Cost of Goods & Services Sold	<u>419.9</u>	<u>439.9</u>	<u>20.0</u>
Revenue Less Costs	31.4	-12.9	-44.3
ACP Surcharges	-14.2	-14.2	-
Inventory Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	17.2	-27.1	-44.3

Revenue was lower than planned due to fewer than expected direct labor hours. The cost of goods sold exceeded the estimate because of higher labor costs associated with FERS and the Thrift Savings Plan, unbudgeted STAFS costs and increased overhead costs.

Department of the Navy
Navy Industrial Fund
Aeronautical Engineering Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 President's Budget	374.4	444.3	444.3	-
2. Congressional Adjustments:	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	-	-
4. Pricing Adjustments:				
a. FY 1989 Pay Raise Revision	-	-	2.7	-2.7
b. Military Personnel Notional Amounts	-	.2	.2	-
c. Additional FERS costs	-	-	3.3	-3.3
5. Productivity Initiatives and Other Efficiencies:	-	-	-	-
6. Program Changes:				
a. S-3A Conversion	25.4	5.9	5.9	-
b. AN-SMQ-11 Satellite Imaging	12.7	2.8	2.8	-
c. V-22 Tactical Software	14.9	2.4	2.4	-
d. Catapults, Arresting Gear and Visual Landing Aids	23.3	4.0	4.0	-
e. Other	14.8	2.5	2.5	-
7. Other Changes:				
a. Depreciation Expenses	-	-	-1.7	1.7
b. ACP Surcharge	-	-	-5.5	5.5
c. Passthrough	2.7	-	-	-
d. Increased GSA leases	-	-	.8	-.8
e. Increased ADP services	-	-	2.7	-2.7
f. Materials/Supplies, Security and Software	-	-	2.8	-2.8
g. Boiler and Roof Repair at NAC	-	-	6.2	-6.2
h. Landfill/Recycling Cost	-	-	.7	-.7
i. Contract Support	-	-2.3	-2.3	0.0
8. FY 1989 Current Estimate	468.2	459.8	471.8	-12.0

Department of the Navy
Navy Industrial Fund
Aeronautical Engineering Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	Customer <u>Orders</u>	<u>Revenue</u>	Cost & Sur- <u>charge</u>	Net Operating <u>Results</u>
8. FY 1989 Current Estimate	468.2	459.8	471.8	-12.0
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	3.0	3.0	3.0	-
2. Annualization of Prior Year Pay Raise(s)	2.6	2.6	2.6	-
b. Military Personnel Notional Amounts	-	-.2	-.2	-
c. Stock Fund - Fuel	-.2	-.2	-.2	-
d. Stock Fund - Nonfuel	-	-	-	-
e. Industrial Fund Purchases	.2	.2	.2	-
f. General Purchase Inflation	7.6	7.6	7.6	-
10. Productivity Initiatives and Other Efficiencies:	-	-	-	-
11. Program Changes:	-	-	-	-
a. Catapults Arresting Gear and Visual Landing Aids	7.0	1.4	1.4	-
b. Installed Helicopter Landing System	2.2	.4	.4	-
c. Aircraft/Ship Interface	.4	.1	.1	-
12. Other Changes:				
a. Depreciation Expenses	.4	.4	.4	-
b. ACP Surcharge	5.1	5.1	5.1	-
c. Other Rate Changes	12.0	12.0	-	12.0
d. Passthrough	-2.7	-	-	-
e. CA/MEO Savings	-1.1	-1.1	-1.1	-
f. Conversion of Materials to Direct Cite	-4.4	-4.4	-4.4	-
g. Conversion of Contracts to Direct Cite	-5.7	-5.7	-5.7	-
h. Other	-1.8	-1.8	-2.2	.4
13. FY 1990 Current Estimate	492.8	479.2	478.8	.4

Department of the Navy
Navy Industrial Fund
Aeronautical Engineering Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
13. FY 1990 Current Estimate	492.8	479.2	478.8	.4
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	4.6	4.6	4.6	-
2. Annualization of Prior Year Pay Raise(s)	1.3	1.3	1.3	-
b. Military Personnel Notional Amounts	-	.3	.3	-
c. Stock Fund - Fuel	.1	.1	.1	-
d. Stock Fund - Nonfuel	.1	.1	.1	-
e. General Purchase Inflation	7.5	7.5	7.5	-
15. Productivity Initiatives and Other Efficiencies:	-	-	-	-
16. Program Changes:	-	-	-	-
a. Consolidated Automated Support System	5.0	5.0	5.0	-
b. Acquisition Support	7.1	7.4	7.4	-
c. Fleet Electronic Warfare Subgroup (FEWSG)	-8.1	-	-	-
d. Global Positioning System (GPS)	-4.0	-	-	-
e. Bomb Racks Manufacturing	-3.8	-	-	-
17. Other Changes:				
a. Depreciation Expenses	.5	.5	.5	-
b. ACP Surcharge	-.1	-.1	-.1	-
c. Other Rate Changes	-.4	-.4	-	-.4
d. Passthrough	52.5	-	-	-
e. Other	.5	.5	-	.5
18. FY 1991 Current Estimate	555.6	506.0	505.5	.5

Note: Military Personnel Notional amounts are included for illustrative purposes only. Actual revenue, cost and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel Appropriations.

Department of the Navy
Navy Industrial Fund
Aeronautical Engineering Centers

Summary of Workload Indicators :

	(Workyears)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Manufacturing & Assembly	1,545	1,536	1,517	1,543
Overhaul & Alteration	629	625	629	634
Research & Development	686	681	686	692
Fleet Support	1,430	1,420	1,425	1,441
Acquisition Support	743	738	743	749
Engineering Services	400	398	400	403
Other	274	284	286	288
Total	<u>5,707</u>	<u>5,682</u>	<u>5,686</u>	<u>5,750</u>

Summary of New Customer Orders:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	78.4	95.9	98.7	141.2
RDT&E	33.2	48.3	39.0	39.7
Procurement	228.2	243.2	267.5	266.7
Stock Funds	13.6	8.6	11.4	15.8
Other Navy Customers	35.1	58.0	61.8	72.2
Other DoD Customers	24.2	12.7	12.9	16.2
Non-DoD Customers	3.1	1.5	1.5	3.8
Total All Customers	<u>415.8</u>	<u>468.2</u>	<u>492.8</u>	<u>555.6</u>

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	5,624	5,652	5,680	5,747
Workyears	5,707	5,682	5,686	5,750
<u>Military Personnel:</u>				
End Strength	279	357	349	349
Workyears	214	318	353	349

Department of the Navy
Navy Industrial Fund
Aeronautical Engineering Centers

Summary of Purchases of Capital Assets:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts, Beginning of the Year	5.8	9.7	-	-
New Program Amounts	<u>18.6</u>	<u>6.8</u>	<u>11.6</u>	<u>10.6</u>
Total Available Program	<u>24.4</u>	<u>16.5</u>	<u>11.6</u>	<u>10.6</u>
Purchases of Equipment	<u>14.7</u>	<u>16.5</u>	<u>11.6</u>	<u>10.6</u>
Available Amounts, End of the Year	9.7	-	-	-
Unspecified Minor Construction Projects	1.4	2.0	1.5	2.3
Management Information Systems	6.3	.4	1.6	2.2
Total Purchases of Capital Assets	22.4	18.9	14.7	15.1
(Total Outlays)	(23.8)	(36.8)	(22.5)	(14.4)
Total New Program for Capital Assets	26.3	9.2	14.7	15.1
Financing of New Program Amounts for Capital Assets	<u>25.9</u>	<u>9.2</u>	<u>14.7</u>	<u>15.1</u>
Depreciation	11.7	14.7	15.1	15.6
Surcharge	14.2	-5.5	-.4	-.5

Department of the Navy
Navy Industrial Fund
Naval Air Test Centers

Activity Group Function: The mission of the Naval Air Test Centers is to provide engineering support for naval weapons, weapons systems, and air breathing propulsion systems for fleet users and other Department of Defense and government agencies. The Test Centers conduct tests and evaluation of aircraft, weapon systems and their components and assist in the determination of corrective action for resolution of operational service problems. All of these activities are either wholly or partially operational as Major Range and Test Facility Bases (MRTFBs).

Activity Group Composition:

<u>Activities</u>	<u>Location</u>
Naval Air Propulsion Center	Trenton, New Jersey
Naval Air Test Center	Patuxent River, Maryland
Pacific Missile Test Center	Point Mugu, California

Budget Highlight: The FY 1989 President's Amended Budget provided for the transition of the Naval Air Test Centers to appropriated fund operations in FY 1991. Subsequently, it was determined that the Centers would remain within the Industrial Fund. This budget portrays the ATCs as NIF activities in all years.

Approximately 93% of customer orders are projected to be funded by Navy customers in FY 1990 and FY 1991. The principal appropriation is Research, Development, Test and Evaluation, Navy, which accounts for 41% of the total orders in FY 1990 and 1991.

Changes in orders, revenue and costs between FY 1989 President's Budget and FY 1989 current estimate reflect increases in workload as identified in the following exhibits. Revenue and cost increases are due primarily to increased labor costs caused by an increase in average grade, FERS and CSS contract effort. The CSS effort mainly involves logistics and engineering support of various weapon systems.

Changes in revenue and costs between FY 1989 and FY 1991 current estimates reflect inflation guidance and program growth of -1.4% in FY 1990 and 0.6% in FY 1991.

Planned purchases of capital assets are \$8.0 million in FY 1990 and \$8.5 million in FY 1991. These purchases relate only to those functions which are not a part of the range operations of the Pacific Missile Test Center. Overhead cost and associated equipment at MRTFBs are financed by the Research, Development, Test and Evaluation, Navy appropriation, rather than through the rate structure. Due to program cancellation, no funding is provided for the Standard Automated Financial System (STAFS) after FY 1989.

Department of the Navy
Navy Industrial Fund
Naval Air Test Centers

The Test Centers have undertaken various initiatives in the areas of productivity enhancement and cost reductions. These projects involve acquisition of high technology equipment and computers to facilitate research and improve quality control, and test and evaluation functions. In addition, these programs provide for the general upgrading of facilities through maintenance and repair projects, as well as improvement and modernization projects.

Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	824.1	981.8	989.2	1,020.3
Cost of Goods & Services Sold *	<u>822.2</u>	<u>970.0</u>	<u>986.3</u>	<u>1,020.3</u>
Revenue Less Costs	1.9	11.8	2.9	-
ACP Surcharges	-8.2	1.5	-2.2	-2.5
Net Operating Results	-6.3	13.3	.7	-2.5
Prior Year & Other Adjustments	-.1	-2.8	-	2.9
Transfers and Passthroughs (Net)	-	15.9	-	8.5
Accumulated Operating Results	-36.0	-9.6	-8.9	-

* Includes amounts of \$51.5 million in FY 1989, \$51.1 million in FY 1990, and \$52.6 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Naval Air Test Centers

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	856.0	824.1	-31.9
Cost of Goods & Services Sold	<u>835.3</u>	<u>822.2</u>	<u>-13.1</u>
Revenue Less Costs	20.7	1.9	-18.8
ACP Surcharges	-8.1	-8.2	-.1
Refunds and Passthroughs (Net)	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	12.6	-6.3	-18.9

Revenue was lower than planned due to increased direct cite. The cost of goods sold did not decline as much as revenue because of higher labor costs associated with FERS and the Thrift Savings Plan and increased overhead costs.

Department of the Navy
Navy Industrial Fund
Naval Air Test Centers

Summary of Changes in Operations:

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 President's Budget	833.4	887.8	887.8	-
2. Congressional Adjustments	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	-	-
4. Pricing Adjustments:				
a. Pay Raise	-	-	4.0	-4.0
b. Military Personnel Notional Amounts	-	15.5	15.5	-
5. Productivity Initiatives and Other Efficiencies	-	-	-	-
6. Program Changes:				
a. P-3 update and test kit installation	14.8	9.3	8.0	1.3
b. V-22 support, test and engineering	20.0	12.7	10.8	1.9
c. Support of F/A-18, VANDAL, AV-88 Tomahawk, HARPOON, T-45A, F-14D, E-2C	55.2	31.0	22.2	8.8
d. F-14D Tactical Software Engineering Support	10.7	6.8	5.8	1.0
e. Range/Test and In-Service Engineering/Technical Support	29.6	18.7	15.9	2.8
7. Other Changes:				
a. Depreciation Expenses	-	-	-	-
b. ACP Surcharges	-	-	-1.5	1.5
c. Passthrough	-.5	-	-	-
8. FY 1989 Current Estimate	963.2	981.8	968.5	13.3

Department of the Navy
Navy Industrial Fund
Naval Air Test Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	Customer Orders	Revenue	Cost & Sur- charge	Net Operating Results
8. FY 1989 Current Estimate	963.2	981.8	968.5	13.3
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	4.2	4.2	4.2	-
2. Annualization of Prior Year Pay Raise	3.4	3.4	3.4	-
b. Stock Fund - Fuel	-1.4	-1.4	-1.4	-
c. Stock Fund - Nonfuel	-1.5	-1.5	-1.5	-
d. Industrial Fund Purchases	-	-	-	-
e. General Purchase Inflation	14.5	14.5	14.5	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	-.4	-.4	-
10. Productivity Initiatives and Other Efficiencies				
11. Program Changes:	-	-	-	-
a. Increased support of P-3 and special projects	3.8	3.8	3.8	-
b. Combat Training Range Support	.6	.6	.6	-
c. In-Service support of E-6A and electronic counter-measures	1.2	1.2	1.2	-
d. Base Operating Support	.7	.7	.7	-
e. Reduced Contract Support of Various Programs	-9.6	-4.3	-4.3	-
12. Other Changes:				
a. Depreciation Expenses	.2	.2	.2	-
b. ACP Surcharges	3.7	3.7	3.7	-
c. Passthroughs	-15.9	-	-	-
d. STAFS	-4.7	-4.7	-4.7	-
e. Other Rate Changes	-12.6	-12.6	-	-12.6
13. FY 1990 Current Estimate	949.8	989.2	988.5	.7

Department of the Navy
Navy Industrial Fund
Naval Air Test Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
13. FY 1990 Current Estimate	949.8	989.2	988.5	.7
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	6.6	6.6	6.6	-
2. Annualization of Prior Year Pay Raise	1.7	1.7	1.7	-
b. Stock Fund - Fuel	.7	.7	.7	-
c. Stock Fund - Nonfuel	1.6	1.6	1.6	-
d. Industrial Fund Purchases	-	-	-	-
e. General Purchase Inflation	17.8	17.8	17.8	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	1.5	1.5	-
15. Productivity Initiatives and Other Efficiencies				
16. Program Changes:	-	-	-	-
a. Increased support of V-22, F/A-18, VANDAL and other programs	8.2	4.2	4.2	-
b. Decreased funding of special projects	-9.5	-	-	-
17. Other Changes:				
a. Depreciation Expenses	.2	.2	.2	-
b. Surcharges	.3	.3	.3	-
c. Passthroughs	8.5	-	-	-
d. Other	-.3	-.3	-.3	-
e. Other Rate Changes	-3.2	-3.2	-	-3.2
18. FY 1991 Current Estimate	982.4	1,020.3	1,022.8	-2.5

NOTE: Military personnel notional amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Naval Air Test Centers

Summary of Workload Indicators (Workyears):

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Research & Development	3,532	3,416	3,413	3,413
MRTFB	2,534	2,494	2,542	2,572
Other	1,643	1,537	1,617	1,636
Total	7,709	7,447	7,572	7,621

Summary of New Customer Orders:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	232.4	186.6	172.8	186.1
RDT&E	323.2	387.6	381.4	397.7
Procurement	214.8	266.8	269.3	270.8
Stock Funds	-	.2	.1	.3
Other Navy Customers	56.6	59.2	61.5	63.7
Other DoD Customers	43.4	56.8	57.2	57.1
Non-DoD Customers	2.9	5.9	7.5	6.7
Total All Customers	<u>873.3</u>	<u>963.1</u>	<u>949.8</u>	<u>982.4</u>

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Civilian Personnel:				
End Strength	7,623	7,428	7,586	7,465
Workyears	7,709	7,447	7,572	7,621
Military Personnel:				
End Strength	1,809	1,584	1,550	1,555
Workyears	1,809	1,584	1,550	1,555

Department of the Navy
Navy Industrial Fund
Naval Air Test Centers

Summary of Purchases of Capital Assets:

	(Obligations in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts,				
Beginning of the Year	-	1.9	-	-
New Program Amounts	<u>10.9</u>	<u>4.1</u>	<u>8.0</u>	<u>8.5</u>
Total Available Program	<u>10.9</u>	<u>6.0</u>	<u>8.0</u>	<u>8.5</u>
Purchases of Equipment	<u>9.0</u>	<u>6.0</u>	<u>8.0</u>	<u>8.5</u>
Available Amounts,	<u>1.9</u>			
End of the Year	-	-	-	-
Unspecified Minor				
Construction Projects	1.4	.6	.6	.6
Management Information				
Systems	.7	-	-	-
Total Purchases of				
Capital Assets	11.1	6.6	8.6	9.1
(Total Outlays)	(19.3)	(10.4)	(10.0)	(11.3)
Total New Program				
for Capital Assets	13.0	4.7	8.6	9.1
Financing of New Program				
Amounts for Capital Assets:	<u>11.2</u>	<u>4.7</u>	<u>8.6</u>	<u>9.1</u>
Depreciation	3.0	6.2	6.4	6.6
Surcharge	8.2	-1.5	2.2	2.5

Department of the Navy
Navy Industrial Fund
Military Sealift Command

Activity Group Function: As the single manager operating agency for sealift services, the Military Sealift Command's primary mission is to provide sealift support for the Department of Defense in an emergency, a mission which is prepared for by the worldwide delivery of military dry cargo and petroleum in peacetime. Additionally, support services are provided through the Naval Fleet Auxiliary Force (NFAF) which utilizes civilian-manned noncombatant ships for materiel support of the U.S. Navy, Special Mission Ships (SMS) which provide unique seagoing platforms to the military services and other government agencies, and the Afloat Prepositioned Force/Fast Sealift Ships (APF/FSS) which are sealift platforms used for forward deployment and early on-site availability.

Activity Group Composition: The Military Sealift Command is composed of four area commands located in Bayonne, New Jersey; Oakland, California; London, England; and Yokohama, Japan; and two subarea commands, Naples and Subic Bay, and sixteen port offices.

Budget Highlights: The MSC actual operating results for FY 1988 reflect a loss of \$295.1 million based on revenues of \$1,732.1 million and costs of \$2,027.2 million. This loss coupled with the FY 1988 surcharge of \$5.4 million results in a negative FY 1988 Net Operating Result of \$300.5 million and negative Accumulated Operating Result of \$426.9 million.

The FY 1989 current estimate forecasts a profit of \$68.7 million based on revenue of \$2,194.2 million and costs of \$2,125.5 million. This profit coupled with the FY 1989 surcharge of \$1.9 million results in a positive FY 1989 Net Operating Result of \$66.8 million. This positive NOR is reflected in the FY 1989 Accumulated Operating Result of -\$208.2 million.

The FY 1989 Current Estimate reflects a favorable variance of \$89.7 million in the Accumulated Operating Results over the FY 1989 President's Budget. Factors accounting for the variance are:

- 1) A favorable change in the FY 1988 AOR of \$21.0 million based on a favorable change in operating results of \$16.8 million, the elimination of a \$2.6 million refund and a balancing reserves of \$1.6 million.

- 2) A favorable change in the FY 1989 Net Operating Result of \$66.5 million primarily attributable to APF/FSS and cargo operations. The APF/FSS shows a favorable variance in operating results due to lower negotiated prepositioned tanker/lash ship charter contracts, a reduction in maintenance and repair and a reduction in fuel expense due to lower op-tempo. The cargo operations reflect a favorable variance in operating results due primarily to a change in berth term container results based on 21.5% decrease in measurement ton lift and changes in traffic patterns.

- 3) An increase in the amount of the FY 1989 Passthrough of \$1.8 million and a balancing reserve in FY 1989 of \$.3 million.

Department of the Navy
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Military Sealift Command

4) A favorable change in Cost and AOR of \$0.103 million to reflect the Japanese government's intent to assume 100% of the cost of specific allowances for MSC Japanese national employees (indirect hires) beginning 1 April 1989 (start of the Japanese fiscal year). The allowances include separation pay, which constitutes the retirement system. The aforementioned increase in the Japanese contribution is anticipated to be effective as of this date although no official announcement has been made.

The FY 1990 operations are estimated to nearly break even, based on revenues of \$2,152.5 million and costs of \$2,151.4 million. While costs increased by \$23.9 million over the FY 1989 current estimate, this represents a decrease of \$21.0 million in real program growth after accounting for approved price growth of \$44.9 million. This decrease is primarily associated with decreases in ships' Maintenance and Repair (M&R), commercial container lift requirements and JCS exercises offset by increases due to new ship acquisitions in the NFAF and SMS programs, and commercial container cost increases above inflation guidance based on the pattern of prior actual increases. Also reflected is the effect of the Japanese government's contribution for the allowances of Japanese national indirect hires which is expected to reduce costs by \$0.206 million.

The FY 1991 operations are estimated to break even, based on revenues of \$2,267.2 million and costs of \$2,267.0 million. While costs increased by \$114.1 million over the FY 1990 current estimate, this represents an increase of only \$41.7 million in real program growth after accounting for approved price growth of \$72.4 million. This increase is primarily related to increased commercial container costs in the Cargo Program of 8.0% vice guidance of 3.3% based on the pattern of prior actual increases. Also reflected is the effect of \$.411 million in contributions from the Japanese government related to the cost of allowances of Japanese national indirect hires.

TOTAL FUNDING RECEIVED:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Reimbursable Orders	1,757.6	2,316.1	2,220.5	2,341.5
RCP's	1.0	-	-	-
Total	<u>1,758.6</u>	<u>2,316.1</u>	<u>2,220.5</u>	<u>2,341.5</u>

Department of the Navy
Navy Industrial Fund
Military Sealift Command

Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	1,732.1	2,194.2	2,152.5	2,267.2
Cost of Goods and Services Sold *	<u>2,027.2</u>	<u>2,125.5</u>	<u>2,151.4</u>	<u>2,267.0</u>
Revenue Less Costs	-295.1	68.7	1.1	.2
ACP Surcharge	<u>-5.4</u>	<u>-1.9</u>	<u>-1.0</u>	<u>-</u>
Net Operating Results	-300.5	66.8	.1	.2
Prior Year and Other Adjustments	1.6	.1	.1	-.1
Transfers and Passthroughs (Net)	-	151.8	100.0	107.9
Accumulated Operating Results	-426.9	-208.2	-108.0	-

* Includes amounts of \$30.0 million in FY 1989, \$32.0 million in FY 1990, and \$33.5 million in FY 1991 paid from DOD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DOD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Military Sealift Command

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	1,614.1	1,732.1	118.0
Cost of Goods & Services Sold	<u>1,926.0</u>	<u>2,027.2</u>	<u>101.2</u>
Revenue Less Costs	-311.9	-295.1	16.8
ACP Surcharges	-5.4	-5.4	-
Net Operating Results	-317.3	-300.5	16.8

Major reasons for variances among Actual FY 1988 Revenue and Cost of Goods and Services Sold from estimates shown in the Amended FY 1988/FY 1989 Biennial Budget were:

(1) Revenue and Costs (\$82 M) increases related to the return of selected National Defense Reserve Fleet ships to the Ready Reserve Fleet operated by MSC. These changes were not identified/included in the Biennial Budget as the information concerning the program was not available at the time of budget development.

(2) Additional Revenue and Cost changes related to the Strategic Petroleum Reserve project increased orders (\$5 M) that were not identified/included in budgeted estimates.

(3) Increases in reimbursable Revenue and Costs that were not budgeted (\$5 M) in various programs (MOPEX, Project Ceasar, etc)

(4) Increased Revenue and Costs (\$26 M) associated with cargo special charters (e.g. Cool Barge, Rainbow Hope, and JCS exercises) that were not known at the time of budget preparation.

(5) Other actual cost variances from budget such as increased commercial container costs (\$25 M), offset by various cost reductions (\$41.8 M), including maintenance and repair reductions, fuel usage savings, berth term savings, etc.

Department of the Navy
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Military Sealift Command

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	Customer <u>Orders</u>	<u>Revenue</u>	Cost & Sur- charge	Net Operating <u>Results</u>
1. FY 1989 President's Budget	2,177.6	2,057.6	2,057.6	-
2. Congressional Adjustments:	-	-	-	-
3. Estimates Impact in FY 1989 of Actual FY 1988 Experience	-	-	-	-
a. Commercial container and break- bulk cargo shipping agreements increased 9.1% and 17.9%, re- spectively in FY 1988. Commercial container expenses are estimated based on in- creases of 11.5% for first six month cycle and 6.5% for second six month cycle, for an annualized increase of 15.1% vice the 3.8% contained in the President's Budget. Commercial breakbulk ex- pense is estimated based on in- creases of 10% for first cycle and 5% for second cycle for an annualized increase of 12.75% vice the 3.8% contained in the President's Budget.	-	-	58.3	-58.3
4. Pricing Adjustments				
a. FY 1989 Pay Raise	-	-	1.8	-1.8
b. Stock Fund - Fuel	-	-	-6.2	6.2
c. General Purchase Inflation	-	-	-6.4	6.4
5. Productivity Initiatives and Other Efficiencies	-	-	-	-
a. Savings associated with decisions to convert to contractor per- formance, or in-house efficiencies resulting from Commercial Act- ivity (CA) studies.	-	-	-7.9	7.9

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Summary of Changes in Operations (Continued):

(Dollars in Millions)				
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
6. Program Changes:				
a. Department of Energy increased their crude oil acquisition/ fill plan for the Strategic Petroleum Reserve by 282%.	15.0	15.0	15.0	-
b. A increase in JCS Exercise requirements	2.3	2.3	2.3	-
c. Commercial container and commercial breakbulk lift requirements increased 14.9% and 8.5%, respectively.	89.7	89.6	57.7	31.9
d. A decrease in berth term container and breakbulk requirements coupled with a change in traffic/commodity mix.	11.6	11.6	-20.5	32.1
e. A 13% increase in DFSC petroleum lift requirements.	9.5	9.5	9.5	-
f. Larger ship time chartered as MED Prepo ship to meet increased Air Force cargo load.	2.1	2.1	2.1	-
7. Other Changes:				
a. Passthrough	1.8	-	-	-
b. Increase for claims associated with the T-AFS Upgrades	-	-	8.8	-8.8
c. A decrease in charter hire expense on time chartered ships based on favorable renegotiation of expiring contracts.	-	-	-37.5	37.5
d. A reduction in maintenance and repair expense in the APF/FSS program due to change in maintenance cycle on MPS ships from 24 to 32 months and overall reductions of M&R expense levels based on actual experience.	-	-	-13.6	13.6
e. SCN funded deficiency correction work on T-AH 20.	3.5	3.5	3.5	-
f. Increase in NFAF/SMS reimbursables	3.0	3.0	3.1	-
g. ACP Surcharge	-	-	-.2	.2

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Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
8. FY 1989 Current estimate	2,316.1	2,194.2	2,127.4	66.8
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	2.0	2.0	2.0	-
2. Annualization of Prior Year Pay Raise	1.8	1.8	1.8	-
b. Stock Fund - Fuel	-20.7	-20.7	-20.7	-
c. Stock Fund - Nonfuel				
d. Industrial Fund Purchases				
e. General Purchase Inflation	61.7	61.7	61.7	-
f. Foreign National Indirect				
g. Military Personnel Notional Amounts	-	2.0	2.0	-
h. Other - Commercial containers increased 8.0% vice general guidance of 3.6% based on actual increases experienced from Apr 87 through Apr 88.	43.8	43.8	43.8	-
10. Productivity Initiatives and Other Efficiencies:	-	-	-	-
11. Program changes:				
a. A decrease 7.1% in commercial container lift requirements.	-38.5	-38.5	-38.5	-
b. Increases associated with new ship acquisitions in the NFAF program (T-AO 187 Class Oilers and T-AGOS Ships) and the SMS program (T-AG 40, T-AG 51, T-AG 95 and T-AK 280) offset by SMS inactivations (T-ARC 2 and T-AGS 22).	46.9	46.9	46.9	-
c. Decrease in JCS Exercises	-17.8	-17.8	-17.8	-

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Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
12. Other Changes:				
a. Depreciation Expense	.8	.8	.8	-
b. ACP Surcharges	-.9	-.9	-.9	-
c. Other Rate Changes	-75.4	-75.4		-75.4
d. Passthroughs	-51.8	-	-	-
e. Reduction in charter hire expense on Tanker ships.	-7.8	-7.8	-7.8	-
f. One-time FY 1989 expense for claims associated with T-AFS Upgrades	-	-	-8.8	8.8
g. Reduction of maintenance and repair costs overstatements based on prior years' actual execution patterns	-39.6	-39.6	-39.6	-
h. Other	-.1	-	.1	-.1
13. FY 1990 Current Estimate	2,220.5	2,152.5	2,152.4	.1
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	3.9	3.9	3.9	
2. Annualization of Prior Year Pay Raises	2.1	2.1	2.1	-
b. Stock Fund - Fuel	9.6	9.6	9.6	-
c. Stock Fund - Nonfuel				
d. Industrial Fund Purchases				
e. General Purchase Inflation	56.8	56.8	56.8	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	1.5	1.5	-
h. Other - Commercial containers increased 8.0% vice general guidance of 3.3% based on actual increases experienced from Apr 87 through Apr 88.	30.6	30.5	30.5	-
15. Productivity Initiatives and Other Efficiencies	-	-	-	-

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Military Sealift Command

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
16. Program Changes:				
a. Increase in JCS Exercise requirements.	1.4	1.4	1.4	-
b. Increases associated with new ship acquisitions in the NFAF program (T-AO 187 Class Oilers and T-AGOS Ships).	8.0	8.0	8.0	-
17. Other Changes:				
a. Depreciation Expense	.5	.5	.5	-
b. ACP Surcharges	-1.0	-1.0	-1.0	-
c. Other Rate Changes	-	-	-	-
d. Passthroughs	7.9	-	-	-
e. Miscellaneous	1.3	1.3	1.3	-
f. Other	-.1	.1	-	.1
18. FY 1991 Current Estimate	2,341.5	2,267.2	2,267.0	.2

NOTE: Military Personnel Notional amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DOD customer accounts exclude amounts paid from Military Personnel appropriations.

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Navy Industrial Fund
Military Sealift Command

Summary of Workload Indicators:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Ship-days:</u>				
Cargo	741	1,250	1,065	1,098
Petroleum, Oil, Lubes	9,116	9,265	9,175	9,230
Special Mission Ships	8,030	8,394	8,743	9,490
Fleet Auxiliary Ships	19,273	22,433	25,452	26,032
Afloat Prepositioned Force	<u>12,543</u>	<u>12,795</u>	<u>12,775</u>	<u>12,775</u>
Totals	49,703	54,137	57,210	58,625

Measurement Tons (000):

Point to Point (Cargo Program)	8,834	8,490	8,122	8,122
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Long Tons (000):

Strategic Petroleum Reserve	2,783	4,800	4,800	4,800
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Summary of New Customer Orders:

(Dollars in Millions)

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	942.8	1,178.0	1,037.3	1,090.3
Procurement	5.2	-	-	-
Other Navy Customers	113.6	205.5	189.8	201.7
Other DoD Customers	688.3	796.6	835.4	877.9
Non-DoD Customers	7.7	136.0	158.0	171.6
Total All Customers	<u>1,757.6</u>	<u>2,316.1</u>	<u>2,220.5</u>	<u>2,341.5</u>

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	4,936	5,564	5,589	5,454
Workyears	4,954	5,088	5,663	5,672
<u>Military Personnel:</u>				
End Strength	827	920	971	993
Workyears	806	897	946	968

Department of the Navy
Navy Industrial Fund
Military Sealift Command

Summary of Purchases of Capital Assets:

		(Dollars in Millions)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts,				
Beginning of the Year	.2	.8	-	-
New Program Amounts	<u>2.0</u>	<u>.5</u>	<u>.7</u>	<u>.7</u>
Total Available Program	<u>2.2</u>	<u>1.3</u>	<u>.7</u>	<u>.7</u>
Purchases of Equipment	<u>1.4</u>	<u>1.3</u>	<u>.7</u>	<u>.7</u>
Available Amounts,				
End of the Year	.8	-	-	-
Unspecified Minor				
Construction Projects	-	.2	.1	-
Management Information				
Systems	4.6	3.8	3.6	3.2
Total Purchases of				
Capital Assets	6.0	5.3	4.4	3.9
(Total Outlays)	(3.9)	(7.6)	(4.7)	(4.1)
Total New Program for				
Capital Assets	6.6	4.5	4.4	3.9
Financing of New Program				
Amounts for Capital Assets	<u>7.7</u>	<u>4.5</u>	<u>4.4</u>	<u>3.9</u>
Depreciation	2.3	2.6	3.4	3.9
Surcharge	5.4	1.9	1.0	-

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Department of the Navy
Navy Industrial Fund
Navy Regional Data Automation Centers

Activity Group Function: The mission of the Navy Regional Data Automation Centers (NARDAC) is to provide regional information systems (IS) services to customers; to manage and direct remote facilities, as required; to provide local IS support in coordination with the regional center; and to design, develop, and maintain standard Navy automated information systems. NARDACs are multiprocessing/multiprogramming time-sharing IS service centers which provide IS support to Navy customers.

Activity Group Composition:

<u>Activities</u>	<u>Location</u>
NARDAC, Washington	Washington, D.C.
NARDAC, Pensacola	Pensacola, Florida
NARDAC, Norfolk	Norfolk, Virginia
NARDAC, San Diego	San Diego, California
NARDAC, San Francisco	San Francisco, California
NARDAC, Jacksonville	Jacksonville, Florida
NARDAC, New Orleans	New Orleans, Louisiana
NARDAC, Pearl Harbor	Pearl Harbor, Hawaii
NARDAC, Newport	Newport, Rhode Island

Budget Highlights: Significant changes regarding FY 1990 and FY 1991 are as follows:

- o FY 1990 and FY 1991 budgeted resources reflect reductions associated with decreased work load stemming from customer's reduced funding levels in FY 1990 and FY 1991.

- o The FY 1990/1991 President's Biennial Budget submission reflects a DON decision to process all IDAFIPS work load at the NARDACs. This represents a change in direction of the IDAFIPS program and is based on an analysis of the costs of the various alternatives in which the NARDAC cost proposal was determined to be the least cost alternative for providing that support.

Department of the Navy
Navy Industrial Fund
Navy Regional Data Automation Centers

Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	233.3	252.9	252.9	248.8
Cost of Goods and Services Sold *	<u>230.0</u>	<u>245.5</u>	<u>252.9</u>	<u>248.8</u>
Revenue Less Costs	3.3	7.4	-	-
ACP Surcharge	<u>-</u>	<u>4.3</u>	<u>5.0</u>	<u>3.1</u>
Net Operating Results	3.3	11.7	5.0	3.1
Prior Year and Other Adjustments	-.2	-4.3	-5.0	-3.1
Transfers and Passthroughs (Net)	-	6.8	-	5.4
Accumulated Operating Results	-19.6	-5.4	-5.4	-

* Includes amounts of \$11.5 million in FY 1989, \$11.4 million in FY 1990, and \$11.6 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Navy Regional Data Automation Centers

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	249.0	233.3	-15.7
Cost of Goods & Services Sold	<u>242.1</u>	<u>230.0</u>	<u>-12.1</u>
Revenue Less Costs	6.9	3.3	-3.6
ACP Surcharges	-	-	-
Inventory Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	6.9	3.3	-3.6

Due to the outlay/obligation limitations imposed during the later part of FY 1988, the initiation of contractual services associated with customer funding was delayed. This caused both revenue and cost to be below budget and resulted a net loss for the year.

Department of the Navy
Navy Industrial Fund
Navy Regional Data Automation Centers

Summary of Changes in Operations:

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 President's Budget	261.9	259.2	259.2	-
2. Congressional Adjustments	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	-	-
4. Pricing Adjustments:				
a. FY 1989 Pay Raise	-	-	1.7	-1.7
b. Military Personnel Notional Amounts	-	-2.6	-2.6	-
5. Productivity Initiatives and Other Efficiencies	-	-	-	-
6. Program Changes:				
a. Decrease is attributed to reductions in customer workload.	-1.2	-3.7	-11.1	7.4
7. Other Changes:				
a. Depreciation Expenses	-	-	-1.7	1.7
b. ACP Surcharges	-	-	-4.3	4.3
c. Passthroughs	-10.0	-	-	-
8. FY 1989 Current Estimate	250.7	252.9	241.2	11.7
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	1.4	1.4	1.4	-
2. Annualization of Prior Year Pay Raise	.9	.9	.9	-
b. Stock Fund - Fuel	-	-	-	-
c. Stock Fund - Nonfuel	.2	.2	.2	-
d. Industrial Fund Purchases	.6	.6	.6	-
e. General Purchase Inflation	3.0	3.0	3.0	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	-.1	-.1	-

Department of the Navy
Navy Industrial Fund
Navy Regional Data Automation Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
10. Productivity Initiatives and Other Efficiencies				
a. Commercial Activities Study	-.2	-.2	-.2	-
11. Program Changes:				
a. Anticipated reduction in customer workload.	-3.3	-3.3	-3.3	-
b. Increase in CIVPERS for IDA.	2.7	2.7	2.7	-
12. Other Changes:				
a. Depreciation Expenses	2.2	2.2	2.2	-
b. ACP Surcharges	-.7	-.7	-.7	-
c. Other Rate Changes	-9.3	-6.7	-	-6.7
d. Passthroughs	-6.8	-	-	-
e. Other	-	-	-	-
13. FY 1990 Current Estimate	241.4	252.9	247.9	5.0
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	2.2	2.2	2.2	-
2. Annualization of Prior Year Pay Raise	.6	.6	.6	-
b. Stock Fund - Fuel	-	-	-	-
c. Stock Fund - Nonfuel	.3	.3	.3	-
d. Industrial Fund Purchases	.5	.5	.5	-
e. General Purchase Inflation	2.9	2.9	2.9	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel				
Notional Amounts	-	.2	.2	-

Department of the Navy
Navy Industrial Fund
Navy Regional Data Automation Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
15. Productivity Initiatives and Other Efficiencies	-	-	-	-
16. Program Changes:				
a. Anticipated customer work load reductions stemming from replacement systems/applications being run by contractors in Non-NARDAC sites.	-9.7	-9.6	-9.6	-
17. Other Changes:				
a. Depreciation Expenses	-1.2	-1.2	-1.2	-
b. ACP Surcharges	-	-	1.9	-1.9
c. Other Rate Chnages	-	-	-	-
d. Passthroughs	5.4	-	-	-
e. Other	-	-	-	-
18. FY 1991 Current Estimate	242.4	248.8	245.7	3.1

NOTE: Military Personnel Notional amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Navy Regional Data Automation Centers

Summary of Workload Indicators:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Computers (Jobs)	7,923,509	8,303,824	7,916,269	7,360,971
Labor Hours	1,878,845	2,111,595	2,114,366	2,111,775
Other (Dollars billed based on costs)	54,341,487	65,145,203	62,756,811	60,363,834

Summary of New Customer Orders:

	<u>FY 1988</u>	(Dollars in Millions) <u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	171.8	177.1	173.8	178.0
RDT&E	.7	3.1	2.4	2.4
Procurement	.3	-	-	-
Stock Fund	-	-	-	-
Other Navy Customers	42.2	45.9	41.3	38.3
Other DoD Customers	13.4	8.5	8.1	8.0
Non-DoD Customers	12.6	16.1	15.8	15.7
Total All Customers	241.0	250.7	241.4	242.4

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	2,740	2,935	2,882	2,658
Workyears	2,850	2,834	2,913	2,702
<u>Military Personnel:</u>				
End Strength	377	346	335	331
Workyears	377	346	335	331

Department of the Navy
Navy Industrial Fund
Navy Regional Data Automation Centers

Summary of Purchases of Capital Assets:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts,				
Beginning of the Year	-	4.3	-	-
New Program Amounts	<u>16.4</u>	<u>13.7</u>	<u>15.9</u>	<u>16.6</u>
Total Available Program	<u>16.4</u>	<u>13.7</u>	<u>15.9</u>	<u>16.6</u>
Less Purchases of Equipment	<u>12.1</u>	<u>18.0</u>	<u>15.9</u>	<u>16.6</u>
Available Amounts,				
End of the Year	4.3	-	-	
 Unspecified Minor				
Construction Projects	-	-	-	-
 Management Information				
Systems	-	-	-	-
 Total Purchases of				
Capital Assets	12.1	13.7	15.9	16.6
 (Total Outlays)	(22.3)	(19.5)	(15.9)	(16.5)
 Total New Program for				
Capital Assets	16.4	13.7	15.9	16.6
 Financing of New Program				
Amounts for Capital Assets	<u>14.8</u>	<u>13.7</u>	<u>15.9</u>	<u>16.6</u>
 Depreciation	13.4	18.0	20.9	19.7
 Surcharge	-	-4.3	-5.0	-3.1

Department of the Navy
Navy Industrial Fund
Navy Aviation Depots

Activity Group Function: The maintain and operate facilities required to perform a complex range of depot level maintenance and rework operations on designated airframes, engines, components, weapons systems, accessories and equipment; manufacture parts and assemblies as required; provide engineering services for the development of changes in hardware design; furnish technical and other professional services on aviation maintenance and logistics problems; perform, upon specific request or assignment, other levels of aircraft maintenance for eligible activities; and perform other functions as directed by the Commander, Naval Air Systems Command (COMNAVAIRSYSCOM).

Activity Group Composition:

<u>Activities</u>	<u>Location</u>
NAVAVNDEPOT, Alameda	Alameda, California
NAVAVNDEPOT, North Island	San Diego, California
NAVAVNDEPOT, Norfolk	Norfolk, Virginia
NAVAVNDEPOT, Cherry Point	Cherry Point, North Carolina
NAVAVNDEPOT, Jacksonville	Jacksonville, Florida
NAVAVNDEPOT, Pensacola	Pensacola, Florida

Budget Highlights: Significant changes regarding FY 1990 and FY 1991 are as follows:

Budgeted new reimbursable orders for FY 1990 and FY 1991 are \$2,032 million and \$1,978 million respectively. The Depots do not accept any direct cite Requests for Contractual Procurement Documents. Approximately 93% of these new orders are anticipated to come from Navy Customers. The major sponsoring appropriations are Operations and Maintenance, Navy and the Navy Stock Fund. These two appropriations account for 49% and 28% of the new orders.

A passthrough of \$8.3 million is budgeted for FY 1989 to compensate for the revised pay increase of 4.1%. In addition, passthroughs of \$100 million and \$65.6 million are scheduled for FY 1990 and FY 1991 respectively. These passthroughs are necessary to offset accumulated operating losses which will occur in FY 1989.

Obligational authority under the Asset Capitalization Program (ACP) for FY 1988 and FY 1989 tie to limitations of \$63.3 million and \$48.6 million respectively. Authority requested in FY 1990 and FY 1991 is \$47.5 million and \$47.2 million. The Naval Air Systems Command has reviewed the documentation supporting the ACP request and has approved these projects. The Depots have made considerable progress in reconciling and reporting fixed assets as reflected in the balance sheet accounts.

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Navy Aviation Depots

Cost Reduction Initiatives:

Since FY 1987, the Depots have made significant strides in reducing costs with these savings being passed on to the customer. In FY 1987 the Depots were directed to reduce costs by \$136 million. The reported savings were \$172 million. For FY 1988 and FY 1989 the cumulative projected cost savings are \$200 million and \$210 million respectively. The Depots are expected to maintain the FY 1989 level through FY 1990 and FY 1991.

The productivity gain sharing (PGS) program at Cherry Point produced cost savings of \$7.9 million in FY 1988. Cherry Point has the pilot PGS program for the Department of Defense. Additional savings of \$7.8 are anticipated for the budget years.

Cost savings are being achieved as follows:

a) Initiation of Total Quality Management (TQM) at the Depots. This approach makes management and employees aware of the importance of doing the job right the first time. This results in reduced waste and higher productivity.

b) Printing costs have been reduced by moving report production to NPPSO from NARDAC.

c) Energy conservation through employee awareness and better metering techniques.

d) Control of indirect staff levels.

e) Reductions in material costs. Monitoring more closely indirect material purchases.

f) Depot operations have been revised to promote efficient use of manpower.

g) Non-product related costs have been removed from rates and have been funded directly through command funds.

h) Reduction of indirect overhead costs.

Competition:

During FY 1988, the Naval Aviation Depots were the winners of two public/private competitions. The first was the P-3C Update III avionics suites won by the team of Jacksonville and Alameda. Jacksonville will build 51 update III kits from FY 1989 through FY 1992. Jacksonville will install, previously purchased kits plus some of the kits they are building, in 71

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aircraft from FY 1988 through FY 1991. Alameda will install a total of 18 kits in FY 1991 and FY 1992.

The P-3C competition was not budgeted in the FY 1988/1989 Amended Budget Submission. Therefore, this budget includes the following increases:

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
End Strength	96	106	120	107
Work Years	24	106	120	107
Orders O&M,N (\$000)	\$977	\$6,624	\$7,008	\$7,000
APN (\$000)	\$1,016	\$5,449	\$6,749	\$4,448

The second competition was for the F-14 Standard Depot Level Maintenance (SDLM) workload. This was won by the Depot team of Norfolk and North Island. If all options of the bid are exercised, Norfolk would perform SDLMs on 61 aircraft and North Island would perform 48 SDLMs. These aircraft are scheduled for induction from FY 1988 through FY 1992.

Included in this budget are the following increases over the base levels:

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
End Strength	336	475	475	475
Work Years	168	475	475	475
Orders O&M,N (\$000)	\$6,717	\$19,156	\$19,916	\$20,441

FY 1989 Operating Results:

This budget projects net operating losses in FY 1989 of \$132.5 million due to the following reasons:

1. Aviation Depot Level Repairable Material (AVDLR).

Beginning in FY 1989, the Depots were directed to include AVDLR material in their rates. The Amended Budget Submission for FY 1989 contained an estimate of \$128.6 million for this material. The current requirement is \$212.8 million. The increased requirement consists of:

\$ in Millions

- \$ 10.6 Additional material for airframes, engines & ground support equipment (GSE) over the \$128.6 base.
- 33.2 Material for components reworked for the Navy Stock Fund not included in the base.
- 40.4 Material for FY 1988 inductions not ordered until FY 1989.
- \$ 84.2 Total additional requirements.

The additional requirement of \$84.2 million was not included in the FY 1989

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budget and due to the fixed price nature of work performed at the NADEPS, this will result in direct losses.

2. Difference between costs incurred and billable amounts.

FY 1989 NADEP rates were set at -6.1% in the President's Budget. Review of the factors used to compute this rate shows that the impact of including AVDLR's in the FY 1989 rates was not properly accounted for and resulted in setting the rates approximately 7% lower than required to cover the approved costs. Application of this rate results in losses of \$46.3 million. The passthrough scheduled for FY 1990 and FY 1991 will alleviate the net operating losses expected to occur in FY 1988 and FY 1989.

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Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	1,703.9	1,870.0	1,989.5	1,873.7
Cost of Goods and Services Sold *	<u>1,641.9</u>	<u>1,989.0</u>	<u>2,003.6</u>	<u>1,865.7</u>
Revenue Less Costs	62.0	-119.0	-14.1	8.0
ACP Surcharge	<u>-14.3</u>	<u>-8.4</u>	<u>-6.4</u>	<u>-5.7</u>
Net Operating Results	47.7	-127.4	-20.5	2.3
Prior Year and Other Adjustments	-32.2	-6.3	-10.3	.5
Transfers and Passthroughs (Net)	0.0	8.3	100.0	65.6
Accumulated Operating Results	-12.2	-137.6	-68.4	0.0

* Includes amounts of \$11.0 million in FY 1989, \$11.2 million in FY 1990, and \$11.5 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

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Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	1,878.7	1,703.9	-174.8
Cost of Goods & Services Sold	<u>1,749.9</u>	<u>1,641.9</u>	<u>-108.0</u>
Revenue Less Costs	128.8	62.0	-66.8
ACP Surcharges	<u>-14.3</u>	<u>-14.3</u>	<u>-</u>
Net Operating Results	114.5	47.7	-66.8

Revenue was lower than budget due to reduced funding received in FY 1987 and FY 1988. A one-time delay in billing customers was experienced at one depot due to implementation of the NAVAIR Industrial Financial Management System.

Costs were lower than budgeted due to the impact of reduced funding of \$70 million and new cost reduction initiatives of \$39 million for FY 1988 over FY 1987.

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Summary of Changes in Operations:

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 President's Budget	1,745.7	1,834.4	1,834.4	-
2. Congressional Adjustments	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	-	-
4. Pricing Adjustments:				
a. Pay Raise	-	-	-	-
(1) FY 1989 Pay Raise	-	-	8.3	-8.3
(2) Annualization of Prior Year Pay Raise(s)	-	-	-.5	.5
b. General Purpose Inflation	-	-	-5.4	5.4
c. Military Personnel Notional Amounts	-	.4	.4	-
5. Productivity Initiatives and Other Efficiencies	-	-	-	-
6. Program Changes:				
a. Competition P-3C	9.5	8.0	8.0	-
b. Reduced work for Airframes & Missiles	-23.4	-23.4	-23.4	-
7. Other Changes:				
a. Depreciation Expenses	-	-	-10.8	10.8
b. ACP Surcharges	-	-	-3.9	3.9
c. Cost Increases	-	-	34.7	-34.7
d. AVDLR Material Cost not in rates	-	-	84.2	-84.2
e. Impact of Changes in Work Process	-	50.6	71.4	-20.8
f. Passthrough	8.3	-	-	-
8. FY 1989 Current Estimate	1,740.1	1,870.0	1,997.4	-127.4

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Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	8.6	8.6	8.6	-
2. Annualization of Prior Year Pay Raise	14.4	14.4	14.4	-
b. Stock Fund - Fuel	.2	.2	.2	-
c. Stock Fund - Nonfuel	-5.1	-5.1	-5.1	-
d. Industrial Fund Purchases	4.7	4.7	4.7	-
e. General Purchase Inflation	6.2	6.2	6.2	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	.2	.2	-
h. Other	4.9	4.9	4.9	-
10. Productivity Initiatives and Other Efficiencies	-	-	-	-
11. Program Changes:				
a. Competition P-3C + 24 KIT Assemblies & Installation	16.0	14.3	14.3	-
b. Decrease in Workload for -24 Airframes, -449 Engines, & -36 Missiles	-11.2	-84.3	-84.3	-
12. Other Changes:				
a. Depreciation Expenses	.9	.9	.9	-
b. ACP Surcharges	-2.0	-2.0	-2.0	-
c. Other Rate Changes	161.7	131.3	-	131.3
d. Passthroughs	91.7	-	-	-
e. Impact of FY 1989 inducted workload on FY 1990	-	24.7	49.7	-25.0
f. Other	.5	.5	-.1	.6
13. FY 1990 Current Estimate	2,031.6	1,989.5	2,010.0	-20.5

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Naval Aviation Depots

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	13.5	13.5	13.5	-
2. Annualization of Prior Year Pay Raise	7.3	7.3	7.3	-
b. Stock Fund - Fuel	.3	.3	.3	-
c. Stock Fund - Nonfuel	9.0	9.0	9.0	-
d. Industrial Fund Purchases	3.7	3.7	3.7	-
e. General Purchase Inflation	7.0	7.0	7.0	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	.5	.5	-
h. Other	3.6	3.6	3.6	-
15. Productivity Initiatives and Other Efficiencies	-	-	-	-
16. Program Changes:				
a. Competition P-3C + 24 KIT Assemblies & 36 Installations	22.5	24.2	24.2	-
b. Workload Change -31 Airframes -104 Missiles, & -68 Engines	-108.9	-207.2	-207.2	-
17. Other Changes:				
a. Depreciation Expenses	.4	.4	.4	-
b. ACP Surcharges	-.7	-.7	-.7	-
c. Other Rate Changes	25.0	25.0	-	25.0
d. Passthrough	-34.4	-	-	-
e. Other	-2.2	-2.4	-.2	-2.2
18. FY 1991 Current Estimate	1,977.7	1,873.7	1,871.4	2.3

NOTE: Military Personnel amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Naval Aviation Depots

Summary of Workload Indicators:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Airframes	498	618	594	563
Engines	2,101	2,082	1,633	1,565
Missiles	1,853	1,557	1,521	1,417

Summary of New Customer Orders:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
	(Dollars in Millions)			
Navy Appropriations and Funds:				
Operation and Maintenance	876.1	1,021.2	1,116.4	1,094.9
RDT&E	16.1	13.8	13.5	12.8
Procurement	111.7	98.7	138.8	128.3
Stock Fund	486.4	432.9	568.3	553.7
Other Navy Customers	30.4	38.6	40.0	58.7
Other DoD Customers	163.3	129.4	149.1	123.6
Non-DoD Customers	<u>14.3</u>	<u>5.5</u>	<u>5.5</u>	<u>5.7</u>
Total All Customers	1,698.3	1,740.1	2,031.6	1,977.7

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	22,616	22,980	23,149	22,500
Workyears	22,879	22,880	23,403	22,709
<u>Military Personnel:</u>				
End Strength	251	270	271	271
Workyears	251	270	271	271

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Naval Aviation Depots

Summary of Purchases of Capital Assets:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts,				
Beginning of the Year	10.7	23.1	-	-
New Program Amounts	49.3	34.3	31.9	35.0
Total Available Program	<u>60.0</u>	<u>57.4</u>	<u>31.9</u>	<u>35.0</u>
Less Purchases of Equipment	<u>36.9</u>	<u>57.4</u>	<u>31.9</u>	<u>35.0</u>
Available Amounts,				
End of the Year	23.1	-	-	-
Minor Construction Projects	7.1	5.9	10.7	10.0
Management Information Systems	6.9	8.4	4.9	2.2
Total Purchases of Capital Assets	50.9	71.7	47.5	47.2
(Total Outlays)	(58.4)	(88.4)	(78.5)	(65.6)
Total New Program for Capital Assets	63.3	48.6	47.5	47.2
Financing of New Program				
Amounts for Capital Assets	<u>54.6</u>	<u>48.6</u>	<u>47.5</u>	<u>47.2</u>
Depreciation	39.2	40.2	41.1	41.5
Surcharge	14.3	8.4	6.4	5.7

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Department of the Navy
Navy Industrial Fund
Naval Civil Engineering Laboratory

Activity Group Function: The Naval Civil Engineering Laboratory (NCEL) is the principal research, development, test and evaluation center for Navy shore facilities, fixed surface and subsurface ocean facilities and for the Navy and Marine Corps Construction Force. The primary effort at NCEL is directed toward technology base improvement and system developments for shore facilities and materials technology, amphibious and advanced base facilities, and developments in energy and environmental protection and ocean facilities engineering.

Activity Group Composition:

<u>Activities</u>	<u>Location</u>
Naval Civil Engineering Laboratory	Port Hueneme, CA

Budget Highlights: The FY 1989 President's Amended Budget provided for the transition of the Naval Civil Engineering Laboratory to appropriated fund operations in FY 1990. Subsequently, it was determined that the Laboratory would remain within the Industrial Fund. This budget portrays the NCEL as a NIF activity in all years.

The NCEL level of operations is projected to remain relatively constant through FY 1991. The anticipated FY 1990/1991 revenue totals \$51.1 and \$53.0 million each fiscal year, plus approximately \$15 million of Request for Contractual Procurement (RCP) effort annually. The workyears are projected to remain constant at 431 workyears plus the normally experienced 15 workyears of overtime effort. The FY 1990/1991 revenue projections in this budget submission reflect a zero Net Operating Result with full recovery of costs, including overhead, through the application of stabilized rates and Asset Capitalization Program surcharges to direct labor workhours.

For FY 1990/1991, it is anticipated that the trends of recent years will continue wherein approximately 97% of the new customer orders originate from Navy customers and 60% of the total funding is financed from the RDT&E,N appropriation.

Productivity improvements and other savings are being pursued in all areas through ongoing organization and process adjustments. Two review boards have been established to sharpen the focus of RDT&E efforts and to insure more effective programming and execution. One board reviews and delineates RDT&E strategy and effort. The other board oversees the establishment and execution of programs towards strategic objectives.

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Navy Industrial Fund
Naval Civil Engineering Laboratory

Due to program cancellation, no funding is provided for the Standard Automated Financial System (STAFS) after FY 1989.

In the area of contracting and financial operations, NAVFAC has established a Facilities Contract Office (FACCO) at CBC Port Hueneme which should significantly reduce the time it takes to formulate and execute a contract. Also, productivity increases are anticipated from the recent revisions to NCEL financial data systems and from the additional application of microcomputers.

The NCEL total level of operations is projected to remain relatively constant through FY 1991. However, existing programs and new initiatives are continually being evaluated and realigned toward the stated out-year objectives and central areas of NCEL research and development focus. The FY 1990/1991 revenue projections in this budget submission reflect the full recovery of costs, including overhead costs, through the application of stabilized rates and Asset Capitalization Program surcharges to direct labor workhours. The above revenue and cost values "do not include" approximately \$15 million of Request for Contractual Authority (RCP) effort annually.

Department of the Navy
Navy Industrial Fund
Naval Civil Engineering Laboratory

Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	53.2	51.1	52.5	53.0
Cost of Goods & Services Sold *	<u>60.1</u>	<u>51.7</u>	<u>51.2</u>	<u>51.7</u>
Revenue Less Costs	-6.9	-.6	1.3	1.3
ACP Surcharges	<u>-2.7</u>	<u>-1.5</u>	<u>-1.1</u>	<u>-1.3</u>
Net Operating Results	-9.6	-2.5	.2	-
Prior Year & Other Adjustments	-.1	-	-.2	.1
Transfers and Passthroughs (Net)	-	.3	-	4.0
Accumulated Operating Results	-10.1	-11.9	-11.9	-7.8

* Includes amounts of \$.7 million in FY 1989, \$.7 million in FY 1990, and \$.7 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Naval Civil Engineering Laboratory

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	46.8	53.2	6.4
Cost of Goods & Services Sold	<u>43.4</u>	<u>60.1</u>	<u>16.7</u>
Revenue Less Costs	3.4	-6.9	-10.3
ACP Surcharges	<u>-2.7</u>	<u>-2.7</u>	<u>-</u>
Net Operating Results	.7	-9.6	-10.3

Revenue and cost are above the FY 1988 estimate due to an increase in customer funding. The loss was due to an increase in overhead costs and not expending the planned number of direct workyears.

Department of the Navy
Navy Industrial Fund
Naval Civil Engineering Laboratory

Summary of Changes in Operations:

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 President's Budget	40.4	44.2	44.2	-
2. Congressional Adjustments	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	-	-
4. Pricing Adjustments:				
a. FY 1989 Pay Raise	-	-	.3	-.3
b. Military Personnel Notional Amounts	-	-	-	-
c. General Purchase Inflation	-	-	-.1	.1
5. Productivity Initiatives and Other Efficiencies	-	-	-	-
6. Program Changes:				
a. Increased Workload	6.4	6.4	6.7	-.3
7. Other Changes:				
a. Depreciation Expenses	-	-	-.5	.5
b. ACP Surcharges	-	-	1.2	-1.2
c. Passthrough	.3	-	-	-
d. Other	.4	.5	1.4	-.9
8. FY 1989 Current Estimate	47.5	51.1	53.2	-2.1

Department of the Navy
Navy Industrial Fund
Naval Civil Engineering Laboratory

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	Customer <u>Orders</u>	<u>Revenue</u>	Cost & Sur- <u>charge</u>	Net Operating <u>Results</u>
8. FY 1989 Current Estimate	47.5	51.1	53.2	-2.1
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	.6	.6	.6	-
2. Annualization of Prior Year Pay Raise	.2	.2	.2	-
b. Stock Fund - Fuel	-	-	-	-
c. Stock Fund - Nonfuel	-	-	-	-
d. Industrial Fund Purchases	-	-	-	-
e. General Purchase Inflation	.9	.9	.9	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	-	-	-
10. Productivity Initiatives and Other Efficiencies	-	-	-	-
11. Program Changes:				
a. Workload Changes - Decrease in customer workload.	-2.1	-1.8	-1.8	-
12. Other Changes:				
a. Depreciation Expenses	-.2	-.2	-.2	-
b. ACP Surcharges	-.4	-.4	-.4	-
c. Other Rate Changes	2.1	2.1	-	2.1
d. Passthrough	-.3	-	-	-
e. Other	-	-	-.2	.2
13. FY 1990 Current Estimate	48.3	52.5	52.3	.2

Department of the Navy
Navy Industrial Fund
Naval Civil Engineering Laboratory

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
13. FY 1990 Current Estimate	48.3	52.5	52.3	.2
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	.7	.7	.7	-
2. Annualization of Prior Year Pay Raise	.1	.1	.1	-
b. Stock Fund - Fuel	-	-	-	-
c. Stock Fund - Nonfuel	-	-	-	-
d. Industrial Fund Purchases	-	-	-	-
e. General Purchase Inflation	.9	.9	.9	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	-	-	-
15. Productivity Initiatives and Other Efficiencies	-	-	-	-
16. Program Changes:	-	-	-	-
a. Workload Changes - Decrease in customer workload.	-	-1.3	-1.3	-
17. Other Changes:				
a. Depreciation Expenses	-.1	-.1	-.1	-
b. ACP Surcharges	.2	.2	.2	-
c. Passthroughs	4.0	-	-	-
d. Other	.4	-	.2	-.2
18. FY 1991 Current Estimate	54.5	53.0	53.0	-

NOTE: Military Personnel Notional amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Naval Civil Engineering Laboratory

Summary of Workload Indicators:

		(Workyears)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Offshore Facilities	68	82	82	82
Shore Facilities	68	51	51	51
Amphibious/Advanced Base	51	49	50	50
Energy/Environment	55	77	77	77
Other	13	8	8	8
Total Workyears	<u>255</u>	<u>267</u>	<u>268</u>	<u>268</u>

Summary of New Customer Orders:

		(Dollars in Millions)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	10.3	10.0	9.5	9.6
RDT&E	31.0	28.6	29.3	32.3
Procurement	.9	.9	.9	1.5
Other Navy Customers	8.4	6.3	7.1	9.1
Other DoD Customers	.9	1.0	.7	1.1
Non-DoD Customers	.8	.7	.8	.9
Total All Customers	<u>52.3</u>	<u>47.5</u>	<u>48.3</u>	<u>54.5</u>

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	412	431	431	431
Workyears	424	431	431	431
<u>Military Personnel:</u>				
End Strength	15	17	17	17
Workyears	15	17	17	17

Department of the Navy
Navy Industrial Fund
Naval Civil Engineering Laboratory

Summary of Purchases of Capital Assets:

	(Obligations in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts, Beginning of the Year	.1	2.4	-	-
New Program Amounts	<u>3.0</u>	<u>1.9</u>	<u>1.1</u>	<u>1.1</u>
Total Available Program	<u>3.1</u>	<u>4.3</u>	<u>1.1</u>	<u>1.1</u>
Purchases of Equipment	.7	4.3	1.1	1.1
Available Amounts, End of the Year	2.4	-	-	-
Unspecified Minor Construction Projects	.7	.4	.6	.7
Management Information Systems	.3	.3	.3	.3
Total Purchases of Capital Assets	1.7	5.0	2.0	2.1
(Total Outlays)	(4.1)	(3.4)	(3.0)	(2.2)
Total New Program for Capital Assets	4.1	2.6	2.0	2.1
Financing of New Program Amounts for Capital Assets	<u>3.0</u>	<u>2.6</u>	<u>2.0</u>	<u>2.1</u>
Depreciation	.3	1.1	.9	.8
Surcharge	2.7	1.5	1.1	1.3

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Department of the Navy
Navy Industrial Fund
Navy Publication and Printing Service

Activity Group Function: The mission of the Navy Publications and Printing Service (NPPS) is to provide printing and publications publishing service to the Department of Navy, Department of Defense, and Federal Agencies which include the Executive Office of the President. Operational responsibility for printing services is under the authority of the Joint Committee on Printing (JCP), Congress of the United States. The NPPS in-house equipment capability is strictly controlled by the JCP and work that cannot be performed by NPPS must be forwarded to the Government Printing Office. The Secretary of the Navy requires that all Navy printing requirements be forwarded to the NPPS to assure compliance with the Federal Printing Program.

Activity Group Composition: NPPS is currently comprised of a Headquarters element located in the Washington Navy Yard (in Washington D.C.), four Field Areas, a total of 17 Detachment Offices, 39 Branch Office, 5 Printing Acquisition Branches, and 102 other Reprographic Facilities.

Budget Highlights: Approximately 66% of orders are generated by Navy customers, 20% by other DoD customers; 11% by other Government customers; and 3% by non-Federal Government customers.

The increase in orders received, revenue, and costs in FY 1989 from the FY 1989 President's Budget is due primarily to increased workload at the Trident Submarine Base at King's Bay and a new electronic page printing system operation at Cleveland supporting the Navy Finance Center. The increase in orders received, revenue, and costs in FY 1990 and FY 1991 is due to: the continual increase in electronic printing and automated publishing associated with the print on demand system of departmental forms and military specifications and standards; increased workload at the Trident Submarine Base at King's Bay; increased printing of technical manuals for the Navy Tactical Support Activity; and the scanning of aperture card and other hardcopy data for conversion to digital media.

Productivity improvements have been incorporated into the FY 1990/1991 Budget as a result of management initiatives and capital investment in electronic printing technology. Application of data base management and automated publishing and printing techniques are expected to reduce overhead costs, labor intensive warehousing requirements, out of stock conditions, and secondary printing. In addition, outdated technical information will be reduced, affording users of Navy data the most current version of technical logistics and administrative data. Production standards have been adjusted to reflect this new technology and the increased productivity goals of conventional equipment. These improvements will benefit NPPS customers through annual cost reductions/avoidances of \$3.0 million.

Department of the Navy
Navy Industrial Fund
Navy Publication and Printing Service

The Asset Capitalization Program (ACP) for FY 1989, FY 1990, and FY 1991 is \$10.4 million, \$8.8 million, and \$9.0 million respectively. Approximately 69% of the FY 1989 ACP will be used for the development of the Printing Resources Management Information System (PRMIS) II. The FY 1990 and FY 1991 ACP programs will be used to continue migration from traditional printing to electronic demand printing through the purchase of various automated systems. These automated systems will include publishing systems to accept digital data for preparation of documentation for final production, scanning systems for the conversion of existing hardcopy data to digital format, storage and retrieval systems to access and print digital data, and high speed electronic printing systems to output digital data on demand.

Officials of the Japanese Government have publicly indicated their intent to assume 100% of the cost of specific allowances for DOD Japanese national employees on a phased basis beginning 1 April 1989. Accordingly NPPS is expected to realize a reduction in costs of approximately \$28 thousand and \$56 thousand in FY 1989 and 1990, respectively.

Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	216.0	228.7	236.6	244.7
Cost of Goods & Services Sold *	<u>211.8</u>	<u>225.8</u>	<u>234.3</u>	<u>243.6</u>
Revenue Less Costs	4.2	2.9	2.3	1.1
ACP Surcharges	<u>-10.7</u>	<u>-4.2</u>	<u>-2.0</u>	<u>-.9</u>
Net Operating Results	-6.5	-1.3	.3	.2
Prior Year & Other Adjustments	4.4	-.1	.1	-
Transfers and Passthroughs (Net)	-	.7	-	1.4
Accumulated Operating Results	-1.3	-2.0	-1.6	-

* NPPS has no military assigned, therefore no military personnel notional amounts are included.

Department of the Navy
Navy Industrial Fund
Navy Publication and Printing Service

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	230.9	216.0	-14.9
Cost of Goods & Services Sold	217.4	211.8	-5.6
Revenue Less Costs	13.5	4.2	-9.3
ACP Surcharges	-10.7	-10.7	-
Net Operating Results	2.8	-6.5	-9.3

The revenue is \$14.9 million below target because DoD outlay constraints reduced the incoming workload. The trend from duplexing to quadraplexing, which significantly reduces the cost of printing to the customer, also contributed to the revenue shortfall.

The cost of goods sold was also below target because of the DoD outlay constraint. The workload reduction which resulted from the outlay constraint significantly reduced variable costs. Fixed costs were only affected to the extent that the hiring freeze reduced labor costs, as fewer vacancies were filled.

Department of the Navy
Navy Industrial Fund
Navy Publication and Printing Service

Summary of Changes in Operations:

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 President's Budget	222.4	229.0	229.0	-
2. Congressional Adjustments:	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	.6	-.6
4. Pricing Adjustments:				
a. Pay Raise	-	-	.7	-.7
b. General Purchase Inflation -			-.6	.6
5. Productivity Initiatives and Other Efficiencies:				
a. Increased Productivity as a result of ACP Purchases	-	-	-1.8	1.8
6. Program Changes:				
a. Increased commercial printing and computer services	5.9	-.3	2.4	-2.7
7. Other Changes:				
a. Depreciation Expenses	-	-	-2.3	2.3
b. ACP Surcharges	-	-	2.0	-2.0
c. Passthrough	.7	-	-	-
8. FY 1989 Current Estimate	229.0	228.7	230.0	-1.3

Department of the Navy
Navy Industrial Fund
Navy Publication and Printing Service

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	Customer Orders	Revenue	Cost & Sur- charge	Net Operating Results
8. FY 1989 Current Estimate	229.0	228.7	230.0	-1.3
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	.7	.7	.7	-
2. Annualization of Prior Year Pay Raise	.8	.8	.8	-
b. Stock Fund - Fuel	-	-	-	-
c. Stock Fund - Nonfuel	-	-	-	-
d. Industrial Fund Purchases	.1	.1	.1	-
e. General Purchase Inflation	5.7	5.7	5.7	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	-	-	-
10. Productivity Initiatives and Other Efficiencies:				
a. Increased Productivity as a result of ACP Purchases	-3.4	-3.4	-3.4	-
11. Program Changes:	-	-	-	-
a. Increased Workload at Trident Submarine Base, King's Bay and a New EPPS Operation at Cleveland	5.9	4.3	4.3	-
12. Other Changes:				
a. Depreciation Expenses	.6	.6	.6	-
b. ACP Surcharges	-2.2	-2.2	-2.2	-
c. Other Rate Changes	1.3	1.3	-	1.3
d. Passthrough	-.7	-	-	-
e. Other	-	-	-.3	.3
13. FY 1990 Current Estimate	237.8	236.6	236.3	.3

Department of the Navy
Navy Industrial Fund
Navy Publication and Printing Service

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
13. FY 1990 Current Estimate	237.8	236.6	236.3	.3
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	1.0	1.0	1.0	-
2. Annualization of Prior Year Pay Raise(s)	.5	.5	.5	-
b. Stock Fund - Fuel	-	-	-	-
c. Stock Fund - Nonfuel	-	-	-	-
d. Industrial Fund Purchases	.1	.1	.1	-
e. General Purchase Inflation	5.7	5.7	5.7	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	-	-	-
15. Productivity Initiatives and Other Efficiencies:				
a. Increased Productivity as a result of ACP Purchases	-3.4	-2.9	-2.9	-
16. Program Changes:	-	-	-	-
a. Increased Workload on the automated publishing and printing systems and increased scanning operations	3.7	3.7	3.7	-
17. Other Changes:				
a. Depreciation Expenses	1.3	1.3	1.3	-
b. ACP Surcharges	-1.1	-1.1	-1.1	-
c. Other Rate Changes	-	-	-	-
d. Passthroughs	1.4	-	-	-
e. Other	-.1	-.2	-.1	-.1
18. FY 1991 Current Estimate	246.9	244.7	244.5	.2

Department of the Navy
Navy Industrial Fund
Navy Publication and Printing Service

Summary of Workload Indicators:

	(Units in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Major Product Lines - In House Operations</u>				
Copy Preparation	5	6	7	8
Offset Preparation	11	12	12	12
Printing/Duplication	2,100	2,100	2,100	2,100
Bindery/Shipping	786	784	783	782
Reproduction	1,960	2,060	2,260	2,360
Micropublishing	38	38	38	38
Total In House	4,900	5,000	5,200	5,300

Summary of New Customer Orders:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	93.8	107.6	111.5	115.8
RDT&E	.4	.6	.6	.6
Procurement	2.3	2.8	2.9	3.0
Stock Funds	2.1	.7	.7	.7
Other Navy Customers	45.0	40.5	42.1	43.8
Other DoD Customers	38.9	45.4	47.2	49.0
Non-DoD Customers	37.7	31.4	32.8	34.0
Total All Customers	220.2	229.0	237.8	246.9

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	1,732	1,813	1,819	1,825
Workyears	1,794	1,772	1,778	1,784
<u>Military Personnel:</u>				
End Strength	-	-	-	-
Workyears	-	-	-	-

Department of the Navy
Navy Industrial Fund
Navy Publication and Printing Service

Summary of Purchases of Capital Assets:

	(Obligations, Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts, Beginning of the Year	3.0	.8	-	-
New Program Amounts	<u>10.1</u>	<u>9.7</u>	<u>8.0</u>	<u>8.4</u>
Total Available Program	<u>13.1</u>	<u>10.5</u>	<u>8.0</u>	<u>8.4</u>
Purchases of Equipment	<u>12.3</u>	<u>10.5</u>	<u>8.0</u>	<u>8.4</u>
Available Amounts, End of the Year	-	-	-	-
Unspecified Minor Construction Projects	.7	.6	.8	.6
Management Information Systems	.5	.1	-	-
Total Purchases of Capital Assets	13.5	11.2	8.8	9.0
(Total Outlays)	(15.0)	(15.3)	(10.1)	(8.0)
Total New Program for Capital Assets	11.3	10.4	8.8	9.0
Financing of New Program Amounts for Capital Assets:	<u>16.2</u>	<u>10.4</u>	<u>8.8</u>	<u>9.0</u>
Depreciation	5.5	6.2	6.8	8.1
Surcharge	10.7	4.2	2.0	.9

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Activity Group Function: The Naval Ordnance Facilities are responsible for providing technical engineering and logistics support for combat systems, components and support systems and equipment. This includes In-Service Engineering for combat systems in Fleet Operation; development and acquisition support for assigned systems; proofing, testing, and evaluating underwater weapons; exercising design cognizance of underwater acoustic ranges and range equipment; and providing direct ordnance support to the Fleet. In carrying out direct ordnance support, the activities load, assemble, maintain and repair a vast variety of weapons and/or components; fire control systems; air to ground, air to air, and surface to air guided missiles; gun ammunition up to 16 inch; underwater sound signals; demolition explosives and materials; underwater mines and components; cartridge actuated devices; aircraft rockets explosives and solid propellants; miscellaneous ammunition components and containers; small arms and landing force ammunition; torpedoes and components. The assembly, maintenance and repair facilities contain capabilities for Intermediate and Depot Level maintenance and are updated as necessary to support new weapons' programs and systems, such as SMII, CRUISE (TOMAHAWK) and AMRAM missiles. The weapons stations provide storage and off and onloading of waterfront facilities for servicing operating Fleet vessels and support of other shipboard ordnance requirements. Ordnance activities also provide proofing and testing of new weapons before the introduction into the Fleet.

Activity Group Composition:

<u>Activities</u>	<u>Location</u>
Naval Ordnance Station	Indian Head, Maryland
Naval Ordnance Station	Louisville, Kentucky
Naval Weapons Station	Yorktown, Virginia
Naval Undersea Warfare Engineering Station	Keyport, Washington
Naval Weapons Station	Charleston, South Carolina
Naval Weapons Station	Concord, California
Naval Weapons Support Center	Crane, Indiana
Naval Weapons Station, Earle	Colts Neck, New Jersey
Naval Weapons Station	Seal Beach, California
Naval Ship Weapons Systems Engineering Station	Port Hueneme, California

Budget Highlights: This budget reflects continued efforts to improve the operations of the ordnance activities. During FY 1988 and reflected in the budget estimate for FY's 1989 through 1991, the ordnance activities have responded to changes in workload and workforce requirements to meet the Fleet's needs while renewing their emphasis on safety and security. The workload reflected in this budget has increased from the FY 1989 President's Budget as demand for services has increased.

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Navy Industrial Improvement Program

The ordnance activities have continued to pursue the initiatives of the Navy Industrial Improvement Program. The budget reflects the planned achievement of \$300 million savings by FY 1990. To date, savings of \$187 million have been validated through FY 1987, indicating a significant change in operations at the ordnance activities. That change is expected to continue as performance measurements are developed which will replace the specific NIIP goals once the original savings targets are achieved.

Direct Citation Funding

The ORD-NIF activities project that they will receive the following amounts as direct cite in addition to the reimbursable funding reflected by their budgeted new orders:

	(Dollars in Millions)			
	FY 1988	FY 1989	FY 1990	FY 1991
Direct Cite	370	372	416	434
Reimbursable Funding	1,568	1,633	1,673	1,725
Total	1,938	2,005	2,089	2,195

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	1,537.9	1,601.2	1,673.2	1,714.8
Cost of Goods & Services Sold *	1,524.8	1,656.5	1,670.9	1,718.4
Revenue Less Costs	13.1	-55.3	2.3	-3.6
ACP Surcharges	<u>-45.6</u>	<u>-10.0</u>	<u>1.8</u>	<u>6.9</u>
Net Operating Results	-32.5	-65.3	4.1	3.3
Inventory Adjustments	-2.2	-1.5	-	-
Prior Year & Other Adjustments	5.9	-12.7	-1.7	-2.6
Transfers and Passthroughs (Net)	-	77.7	40.0	51.0
Accumulated Operating Results	-99.8	-101.6	-59.2	-7.5

* Includes amounts of \$39.3 million in FY 1989, \$39.9 million in FY 1990, and \$40.9 million in FY 1991 paid from DOD Military Personnel Appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DOD customer accounts, exclude amounts paid from Military Personnel Appropriations.

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	1,528.6	1,537.9	9.3
Cost of Goods & Services Sold	<u>1,486.9</u>	<u>1,524.8</u>	<u>37.9</u>
Revenue Less Costs	41.7	13.1	-28.6
ACP Surcharges	<u>-45.6</u>	<u>-45.6</u>	<u>-</u>
Net Operating Results	-3.9	-32.5	-28.6

Revenue and cost do not vary significantly from the budget. The variance in NOR is due to stabilized variances resulting from working fewer direct hours and experiencing overhead costs greater than budget.

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Summary of Changes in Operations:

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 President's Budget	1,264.7	1,470.8	1,470.8	-
2. Congressional Adjustments	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	-	-
4. Pricing Adjustments:				
a. Pay Raise	-	-	9.0	-9.0
b. General Purchase Inflation	-	-	-2.8	2.8
c. Military Personnel Notional Amounts	-	.3	.3	-
5. Productivity Initiatives and Other Efficiencies:				
a. Cost Savings - ACP	-	-	-.8	.8
6. Program Changes:				
a. Revised estimate of Direct Contracts and Material	196.8	196.8	196.8	-
b. Decrease of 541 direct Workyears from President's budget.	-66.3	-66.3	-14.3	-52.0
c. Increase in 63 G&A workyears includes such things as 700 hour appointments and functional transfers.	-	-	2.3	-2.3
d. Add back 140 CA/MEO positions to revised estimate of CA studies during FY 1989.	-	-	4.9	-4.9
e. Decrease in contracts for restoral of prior CA reductions.	-	-	-4.3	4.3
f. Increase in 179 G&A workyears associated with increased security, explosive safety and maintenance. Also included are positions that support Army tenant at NWSC Crane that were budgeted to be contracted, but was not allowed in FY 1988 Appropriations Bill.	-	-	6.4	-6.4
g. Customer orders increase to reflect estimates currently in the ordnance workload systems.	228.8	-	-	-

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Summary of Changes in Operations (Continue):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
7. Other Changes:				
a. Depreciation Expenses	-	-	-4.8	4.8
b. Increase in labor pricing based on current experience of civilian pay and fringe benefits.	-	-	14.3	-14.3
c. Various increases including office automation and hazardous waste	-	-.4	.9	-1.3
d. Passthrough	9.0	-	-	-
e. STAFS	-	-	.9	-.9
f. Other	-	-	-.4	.4
g. Surcharge	-	-	-12.7	12.7
8. FY 1989 Current Estimate	1,633.0	1,601.2	1,666.5	-65.3
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	9.2	9.2	9.2	-
2. Annualization of Prior Year Pay Raise	10.2	10.2	10.2	-
b. Stock Fund - Fuel	-.8	-.8	-.8	-
c. Stock Fund - Nonfuel	-.5	-.5	-.5	-
d. Industrial Fund Purchases	1.6	1.6	1.6	-
e. General Purchase Inflation	24.8	24.8	24.8	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	.6	.6	-
h. Other	-	-	-	-
10. Productivity Initiatives and Other Efficiencies	-	-	-	-
a. ACP	-3.6	-3.6	-3.6	-
b. Reduction of 45 overhead workyears through the NIIP program which will be redirected to direct effort	-1.1	-1.1	-1.1	-
c. Savings in direct labor productivity through the NIIP program	-23.0	-23.0	-23.0	-
d. Reduction of 203 workyears through CA conversions	-6.9	-6.9	-6.9	-
e. Increase in contracts to fund 203 new contract positions	6.1	6.1	6.1	-

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Summary of Changes in Operations (Continue):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
11. Program Changes:				
a. Increase of 213 direct workyears primarily in the areas of Manufacturing and Assembly	7.9	7.9	7.9	-
b. Reduction in direct contracts and material	-16.1	-16.1	-16.1	-
c. Redirection of 45 overhead workyears saved through the NIIP program	1.1	1.1	1.1	-
d. Change in customer orders per the Ordnance Workload Management System	-29.6	-	-	-
12. Other Changes:				
a. Depreciation Expenses	7.7	7.7	7.7	-
b. ACP Surcharges	-11.8	-11.8	-11.8	-
c. Other Rate Changes	104.4	65.3	-	65.3
d. Passthrough	-37.7	-	-	-
e. STAFS		-.2	-.2	
f. Other	-1.6	1.5	-2.6	4.1
13. FY 1990 Current Estimate	1,673.3	1,673.2	1,669.1	4.1
14. Pricing Adjustments				
a. Pay Raise				
1. FY 1991 Pay Raise	14.2	14.2	14.2	-
2. Annualization of Prior Year Pay Raise	5.2	5.2	5.2	-
b. Stock Fund - Fuel	.3	.3	.3	-
c. Stock Fund - Nonfuel	1.5	1.5	1.5	-
d. Industrial Fund Purchases	1.3	1.3	1.3	-
e. General Purchase Inflation	22.4	22.4	22.4	-
f. Military Personnel Notional Amount	-	1.0	1.0	-
g. Other	-	-	-	-

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
15. Productivity Initiatives and Other Efficiencies:				
a. ACP	-2.7	-2.7	-2.7	-
b. Reduction of 226 workyears through CA conversions	-7.8	-7.8	-7.8	-
c. Increase in contracts to fund 226 new contract positions	6.9	6.9	6.9	-
16. Program Changes:				
a. Increase of 69 direct workyears, primarily in the areas of Manu- facturing and Assembly	2.5	2.5	2.5	-
b. Support for increased workload	1.0	1.0	1.0	-
c. Reduction of direct contracts and material	-3.6	-3.6	-3.6	-
d. Change in customer orders per the Ordnance Workload Management Management Systems	5.6	-	-	-
17. Other Changes:				
a. Depreciation Expenses	7.0	7.0	7.0	-
b. ACP Surcharges	-5.1	-5.1	-5.1	-
c. Other	-7.6	-2.5	-1.7	-.8
d. Passthroughs	11.0	-	-	-
18. FY 1991 Current Estimate	1,725.4	1,714.8	1,711.5	3.3

NOTE: Military Personnel amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DOD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Summary of Workload Indicators:

	(Direct Production Workyears)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Workload Category 1 - NAVSEA				
Surface Launched Missiles	2,019	2,009	2,029	2,090
Torpedoes	1,345	1,371	1,374	1,373
RSS&I	828	785	871	907
Combat Systems Engineering	2,913	2,805	2,925	2,783
Workload Category 2 - NAVAIR				
Air Launched Missiles	561	541	583	597
Countermeasures, Test and Evaluation	1,078	1,080	1,104	1,117
Workload Category 3 - NAVSUP				
Depot Maintenance	785	799	775	760
Workload Category 4 - DIRSSP, SPAWAR				
Trident Support, Electronics Center of Excellence	561	608	569	557
Workload Category 5 - Other Navy				
Shipyards, Tenants	938	932	953	1,058
Workload Category 6 - Army, Air Force				
Interservicing	825	746	884	892
Workload Category 7 - Marine Corps				
Missiles	31	32	32	34
Amphibious Warfare	49	51	48	48
Workload Category 8 - FMS and Others				
Documentation and Spares	<u>371</u>	<u>285</u>	<u>257</u>	<u>257</u>
Total	12,304	12,044	12,404	12,473

Department of the Navy
Navy Industrial Fund
Ordnance Facilities

Summary of New Customer Orders:

		(Dollars in Millions)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	729.5	714.9	766.2	800.2
RDT&E	80.1	92.5	100.2	79.6
Procurement	486.2	574.4	541.3	577.3
Stock Fund	47.0	46.9	49.9	44.8
Other Navy Customers	123.8	92.1	88.2	93.2
Other DoD Customers	93.6	105.5	113.7	106.1
Non-DoD Customers	7.5	6.7	13.8	24.2
Total All Customers	<u>1,567.7</u>	<u>1,633.0</u>	<u>1,673.3</u>	<u>1,725.4</u>

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	20,809	19,598	19,600	19,638
Workyears	20,619	19,780	19,795	19,673
<u>Military Personnel:</u>				
End Strength	1,819	1,261	1,261	1,262
Workyears	1,799	1,261	1,261	1,262

Department of the Navy
Navy Industrial Fund
Ordinance Facilities

Summary of Purchases of Capital Assets:

	(Obligations in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts, Beginning of the Year	4.1	34.8	-	-
New Program Amounts	<u>71.4</u>	<u>41.2</u>	<u>39.7</u>	<u>42.6</u>
Total Available Program	<u>75.5</u>	<u>76.0</u>	<u>39.7</u>	<u>42.6</u>
Purchases of Equipment	<u>40.7</u>	<u>76.0</u>	<u>39.7</u>	<u>42.6</u>
Available Amounts, End of the Year	34.8	-	-	-
Minor Construction Projects	5.9	6.5	6.7	6.6
Management Information Systems	4.7	4.6	1.8	.9
Total Purchases of Capital Assets	51.3	87.2	48.2	50.1
(Total Outlays)	(69.6)	(75.3)	(60.8)	(51.2)
Total New Program for Capital Assets	82.0	52.3	48.2	50.1
Financing of New Program Amounts for Capital Assets	<u>79.4</u>	<u>52.3</u>	<u>48.2</u>	<u>50.1</u>
Depreciation	33.8	42.3	50.0	57.0
Surcharge	45.6	10.0	-1.8	-6.9

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Department of the Navy
Navy Industrial Fund
Public Works Centers

Activity Group Function: The Naval Facilities Engineering Command's (NAVFACENGCOM) Public Works Centers (PWCs) provide utilities services, base facilities maintenance, family housing, transportation support, engineering services and shore facilities planning support required by operating forces and other activities.

Activity Group Composition:

<u>Activities</u>	<u>Location</u>
PWC Norfolk	Norfolk, Virginia
PWC Pensacola	Pensacola, Florida
PWC Great Lakes	Great Lakes, Illinois
PWC San Diego	San Diego, California
PWC San Francisco	San Francisco, California
PWC Pearl Harbor	Pearl Harbor, Hawaii
PWC Guam	Angana, Guam, Mariana Islands
PWC Subic Bay	Subic Bay, Phillipines

Budget Highlights: The FY 1990/1991 submission is a workload based budget that assumes achievement of the PWC Corporate Improvement Plan (CIP) goals - including reduced costs and improved responsiveness to customers. In addition, a major focus is on reducing the backlog of specific maintenance work while accommodating the increased maintenance caused by new Naval facilities. By the end of FY 1991, customer backlog is expected to be limited to a minimal level required to ensure smooth operation. Other budget assumptions include the following: (1) lower customer demand for new specific work, (2) design workload decreases as the MCON program is stretched out over more years than originally planned; (3) utility demand increases as more square footage of shore facilities are acquired and ships spend more time in port; (4) increased transportation activity from increased portside customers; (5) increased hazardous waste handling; and (6) generally flat maintenance requirements due to the combination of facility growth and lower availability of dollars/square foot for present facilities.

This budget submission incorporates revised PWC productivity expectations. Although the manpower portion of these savings has been slower to develop than originally anticipated, savings in excess of \$30 million have been identified through FY 1991 as a result of PWC initiatives. The Naval Industrial Improvement program (NIIP) Model Program at PWC Norfolk received two independent evaluations which have validated the degree of positive change at PWC Norfolk. A plan to reinvest labor savings realized through Overhead Budget Management and other PWC initiatives will provide customer activities with more maintenance and repair services for their facilities dollars and result in improved responsiveness.

Department of the Navy
Navy Industrial Fund
Public Works Centers

The PWCs Asset Capitalization Program (ACP) has concentrated on upgrading an aging transportation fleet to reduce costs to our customers. During the budget period, major emphasis will be placed on selective replacement of both transportation assets and Civil Engineering Support Equipment (CESE) using such criteria as age and reliability of equipment. Other ACP purchases include administrative support equipment and additional hardware for existing micro and minicomputer systems. Minor construction funding provides support for PWC owned property and utility systems at the eight centers.

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue*	1,095.6	1,095.3	1,081.5	1,091.0
Cost of Goods & Services Sold*	<u>1,076.5</u>	<u>1,065.1</u>	<u>1,077.3</u>	<u>1,088.6</u>
Revenue Less Costs	19.1	30.2	4.2	2.4
ACP Surcharges	-23.5	-8.3	-1.5	-.7
Inventory Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	-4.4	21.9	2.7	1.7
Prior Year & Other Adjustments	-7.5	-4.6	-.1	.1
Transfers and Passthroughs (Net)	-	3.5	-	4.1
Accumulated Operating Results	-29.3	-8.5	-5.9	-

* Includes amounts of \$5.9 million in FY 1989, \$6.1 million in FY 1990 and \$6.2 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988	FY 1988	
	<u>Estimate</u>	<u>Actual</u>	<u>Variance</u>
Revenue	1,141.9	1,095.6	-46.3
Cost of Goods & Services Sold	<u>1,061.3</u>	<u>1,076.5</u>	<u>15.2</u>
Revenue Less Costs	80.6	19.1	-61.5
ACP Surcharges	-23.5	-23.5	-
Inventory Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	57.1	-4.4	-61.5

Revenue variances reflected customer funding uncertainty and the DoD outlay freeze. Cost variances do not parallel revenue variances because of non-realized budget savings and unbudgeted overhead costs. Among the reasons for these unbudgeted costs were the Guam PCB transformer explosion cleanup, other PCB transformer conversions and damage from Typhoon Roy.

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	Customer <u>Orders</u>	<u>Revenue</u>	Cost & Sur- <u>charge</u>	Net Operating <u>Results</u>
1. FY 1989 President's Budget	1,063.9	1,095.3	1,095.3	-
2. Congressional Adjustments:	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience				
4. Pricing Adjustments:				
a. FY 1989 Pay Raise Revision	-	-	3.5	-3.5
b. Military Personnel Notional Amounts	-	-	-	-
c. Additional FN Cost	-	-	1.2	-1.2
d. Personnel Benefits Costs (FERS participation rates)	-	-	6.8	-6.8
5. Productivity Initiatives and Other Efficiencies:	-	-	-2.9	-2.9
6. Program Changes:				
a. Reduction in specific maintenance workload	-43.1	-38.0	-36.0	-2.0
b. Increased Utilities demand due to ships remaining in port longer and new facilities coming online	22.6	22.6	18.0	4.6
c. Utilities - reduction due to lower purchased utility costs	-	-	-33.3	33.3
d. Increase in housing units and customer facilities utility demands	2.0	2.0	2.8	-.8
e. Equipment Maintenance	-	-	1.8	-1.8
f. Defense Communications	3.5	3.4	3.4	-
g. Tenant Support and Other	11.9	10.0	7.2	2.8
h. Other	-	-	3.8	-3.8
i. Hazardous Waste	-	-	5.9	-5.9

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
7. Other Changes:				
a. Depreciation Expenses	-	-	.3	-.3
b. Passthrough	3.5	-	-	-
c. ACP Surcharge	-	-	-4.9	4.9
d. Other	-	-	.5	-.5
8. FY 1989 Current Estimate	1,064.3	1,095.3	1,073.4	21.9
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	5.6	5.6	5.6	-
2. Annualization of Prior Year Pay Raise	7.3	7.3	7.3	-
b. Military Personnel Notional Amounts	-	0.2	0.2	-
c. FERS costs	3.4	3.4	3.4	-
d. Stock fund - Non-fuel	-.3	-.3	-.3	-
e. Stock fund - Fuel	-2.7	-2.7	-2.7	-
f. Industrial Fund Purchases	0.3	0.3	0.3	-
g. General Purchase Inflation	19.9	19.9	19.9	-
10. Productivity Initiatives and Other Efficiencies:				
a. Navy Industrial Improvement Plan	-10.0	-10.0	-10.0	-
11. Program Changes:				
a. Reduction in specific maintenance workload	-1.7	-1.7	-1.7	-
b. Utilities - reduction due to lower purchased utility costs	-2.3	-2.3	-2.3	-
c. Labor - due to reduction in specific maintenance workload	-3.8	-3.8	-3.8	-
d. Defense Communications	1.7	1.7	1.7	-
e. Communications	.4	.4	.4	-
f. Contract Consultants	.5	.5	.5	-

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
12. Other Changes:				
a. Depreciation Expenses	2.9	2.9	2.9	-
b. Passthrough	-3.5	-	-	-
c. ACP Surcharge	-6.8	-6.8	-6.8	-
d. Other Rate Changes	-21.9	-21.9	-	-21.9
e. Other	9.6	-6.5	-9.2	2.7
13. FY 1990 Current Estimate	1,062.9	1,081.5	1,078.8	2.7
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	7.6	7.6	7.6	-
2. Annualization of Prior Year Pay Raise	12.8	12.8	12.8	-
b. Military Personnel Notional Amounts	-	.1	.1	-
c. FERS	3.3	3.3	3.3	-
d. Stock Fund - Non fuel	-.5	-.5	-.5	-
e. Stock fund - fuel	-2.3	-2.3	-2.3	-
f. General Purchase Inflation	18.5	18.5	18.5	-
15. Productivity Initiatives and Other Efficiencies:				
a. Navy Industrial Improvement Plan	-8.8	-8.8	-8.8	-
16. Program Changes:				
a. Labor - due to reduction in specific maintenance	-1.0	-3.1	-3.1	-
b. Other Maintenance	-1.3	-4.0	-4.0	-
c. Utilities reduction	-4.4	-4.4	-4.4	-
d. Other	-2.0	-4.3	-4.3	-

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
17. Other Changes:				
a. Depreciation Expenses	2.4	2.4	2.4	-
b. Passthrough	4.1	-	-	-
c. ACP Surcharges	-6.8	-6.8	-6.8	-
d. Other Rate Changes	-2.7	-2.7	-	-2.7
e. Other	5.5	1.7	-	1.7
18. FY 1991 Current Estimate	1,087.3	1,091.0	1,089.3	1.7

Note: Military Personnel Notional amounts are included for illustrative purposes only. Actual revenue, cost and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel Appropriations.

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of Workload Indicators:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
AC Electricity (workyears) (MWH)	1,176 3,170,242	886 3,070,390	862 3,072,668	857 3,074,102
Steam (workyears) (MBTU)	464 8,724,649	510 9,729,332	506 8,927,407	506 9,729,397
Water (workyears) (KGALS)	298 24,754,831	259 25,176,548	258 25,320,999	255 25,369,271
Sewage (workyears) (KGALS)	196 14,784,207	190 14,745,059	190 14,865,723	191 14,915,585
Natural Gas (workyears) (MBTU)	8 2,169,382	18 2,222,796	18 2,226,347	18 2,226,346
Other Utilities (workyears) (N/A)	189 -	181 -	194 -	196 -
E/S Maintenance (workyears) (*CHITS)	1,172 906,783	1,277 872,883	1,288 909,548	1,300 936,834
Recurring Maintenance (workyears) (ITEMS)	1,440 45,651	1,578 45,000	1,566 45,000	1,488 45,500
Specific Maintenance (workyears) *JOBS)	1,763 9,299	1,967 8,700	1,964 8,700	1,942 8,600
Transportation Ops. (workyears) (*HRS)	1,283 3,046,300	1,523 3,150,000	1,451 3,024,000	1,462 3,024,000
Transportation Maint. (workyears) (KMILES)	358 67,161	320 67,400	307 64,700	307 64,700
Engineering (workyears) (N/A)	677 -	726 -	724 -	722 -

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of Workload Indicators (Continued):

Other (workyears) (N/A)	1,749	1,492	1,472	1,367
TOTAL Direct Workyears	10,773	10,927	10,800	10,611

Legend:

- * MWH = Number of Megawatt Hours of Electricity
- * MBTU = Number of Million British Thermal Units
- * KGALS = Number of thousand gallons
- * CHITS = Number of work orders for emergency/services (small jobs)
- * ITEMS = Number of recurring maintenance actions
- * JOBS = Number of work orders performed per year (large jobs)
- * HRS = Number of operating hours
- * KMILES = Thousands of miles equipment usage

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of New Customer Orders:

		(Dollars in Millions)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	706.6	659.3	653.0	671.5
RDT&E	1.9	3.0	3.1	3.2
Procurement	6.6	1.1	1.1	1.1
Stock Funds	.1	.4	.3	.3
Other Navy Customers	281.3	304.1	313.8	313.6
Other DoD Customers	84.4	70.1	64.7	73.3
Non-DoD Customers	30.4	26.3	26.9	24.3
Total All Customers	<u>1,111.3</u>	<u>1,064.3</u>	<u>1,062.9</u>	<u>1,087.3</u>

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	13,656	12,176	12,055	11,771
Workyears	13,751	13,741	13,504	13,253
<u>Military Personnel:</u>				
End Strength	100	95	97	96
Workyears	104	97	96	96

Department of the Navy
Navy Industrial Fund
Public Works Centers

Summary of Purchases of Capital Assets:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts, Beginning of the Year	2.9	12.2	-	-
New Program Amounts	<u>41.4</u>	<u>28.7</u>	<u>25.7</u>	<u>26.5</u>
Total Available Program	<u>44.3</u>	<u>40.9</u>	<u>25.7</u>	<u>26.5</u>
Purchases of Equipment	<u>32.1</u>	<u>40.9</u>	<u>25.7</u>	<u>26.5</u>
Available Amounts, End of the Year	12.2	-	-	-
Unspecified Minor Construction Projects	11.9	8.9	7.3	8.4
Management Information Systems	-	-	.8	.5
Total Purchases of Capital Assets	44.0	49.8	33.8	35.4
(Total Outlays)	(63.3)	(60.6)	(57.2)	(42.4)
Total New Program for Capital Assets	53.3	37.6	33.8	35.4
Financing of New Program Amounts for Capital Assets	<u>46.8</u>	<u>37.6</u>	<u>33.8</u>	<u>35.4</u>
Depreciation	23.3	29.3	32.3	34.7
Surcharge	23.5	8.3	1.5	.7

Department of the Navy
Navy Industrial Fund
Naval Research Laboratory

Activity Group Function: As the Navy's corporate laboratory, the Naval Research Laboratory's (NRL) mission is to conduct a broadly based multidiscipline program of scientific research and advanced technological development directed toward new and improved material, equipment, techniques, systems, and related operational procedures. NRL fulfills a Navy-wide leadership role in the performance of primary in-house research for the physical, engineering, and environmental sciences. It is also responsible for the conduct of a broadly based exploratory and advanced development program in response to identified and anticipated Navy needs and for the development of space systems for the Navy.

Activity Group Composition: The Naval Research Laboratory's main plant in Washington, DC, is a large assemblage of research and engineering facilities. While this installation does contain the majority of the Laboratory's available resources, NRL also maintains facilities at a dozen field stations to conduct experiments that cannot be accommodated at the main site. These include detachments in Chesapeake Beach, Maryland and Orlando, Florida.

Budget Highlights: The FY 1989 President's Amended Budget provided for the transition of the Naval Research Laboratory to appropriated fund operations in FY 1991. Subsequently, it was determined that the Laboratory would remain within the Industrial Fund. This budget portrays NRL as a NIF activity in all years.

The budget increases between FY 1988 and FY 1989 reflect increased research efforts associated with the SDI program and the Naval Center for Space Technology. The SDI Organization has identified NRL as the principle investigator in key SDI components such as battle management and directed energy. Regarding space technology, the Laboratory has been assigned research requirements in space directed ocean surveillance and over-the-horizon targeting. Increases in FY 1990 and FY 1991 are generally due to wage increases and price growth.

NRL has invested in equipment, instruments and labor saving devices to enhance the productivity of employees throughout its operation. The Laboratory requires research equipment employing state-of-the-art technology in order to satisfactorily accomplish its mission. In addition, both the research program and the overhead support functions have been significantly enhanced in terms of cost efficiency and quality of results through the use of personal computers, minicomputers and the Cray mainframe computer. Due to program cancellation, no funding is provided for the Standard Automated Financial System (STAFS) after FY 1989.

Department of the Navy
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Naval Research Laboratory

Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	335.0	347.2	354.3	365.0
Cost of Goods and Services Sold *	<u>327.9</u>	<u>344.7</u>	<u>353.0</u>	<u>361.5</u>
Revenue Less Costs	7.1	2.5	1.3	3.5
ACP Surcharge	-1.8	-3.2	-1.0	-3.1
Inventory Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	5.3	-.7	.3	.4
Prior Year and Other Adjustments	.2	-.4	-	-
Transfers and Passthroughs (Net)	-	18.1	-	4.7
Accumulated Operating Results	-22.4	-5.4	-5.1	-

* Includes amounts of \$6.4 million in FY 1989, \$6.6 million in FY 1990, and \$6.8 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

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Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988	FY 1988	
	<u>Estimate</u>	<u>Actual</u>	<u>Variance</u>
Revenue	328.9	335.0	6.1
Cost of Goods & Services Sold	<u>316.1</u>	<u>327.9</u>	<u>11.8</u>
Revenue Less Costs	12.8	7.1	-5.7
ACP Surcharges	-1.8	-1.8	0.0
Inventory Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	11.0	5.3	-5.7

Both revenue and cost of goods sold were higher than planned because of emergent research requirements in such areas as SDI and support of Persian Gulf operations. In addition, the Laboratory experienced unbudgeted STAFS costs and higher than anticipated labor fringe and depreciation costs.

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Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 President's Budget	337.2	328.4	328.4	-
2. Congressional Adjustments	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	-	-
4. Pricing Adjustments:				
a. FY 1989 Pay Raise Revision	-	-	2.3	-2.3
b. Military Personnel Notional Amounts	-	.2	.2	-
5. Productivity Initiatives and Other Efficiencies	-	-	-	-
6. Program Changes:				
a. Increased Research Efforts	19.1	19.1	19.1	-
7. Other Changes:				
a. Depreciation Expenses	-	-	-1.5	1.5
b. ACP Surcharges	-	-	.8	-.8
c. Passthroughs	3.1	-	-	-
e. Other	-	-.5	-1.4	.9
8. FY 1989 Current Estimate	359.4	347.2	347.9	-.7

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Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
8. FY 1989 Current Estimate	359.4	347.2	347.9	-.7
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	2.5	2.5	2.5	-
2. Annualization of Prior Year Pay Raise	1.7	1.7	1.7	-
b. Stock Fund - Fuel	-	-	-	-
c. Stock Fund - Nonfuel	.1	.1	.1	-
d. Industrial Fund Purchases	.6	.6	.6	-
e. General Purchase Inflation	4.9	4.9	4.9	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	.2	.2	-
10. Productivity Initiatives and Other Efficiencies	-	-	-	-
11. Program Changes	-	-	-	-
12. Other Changes:				
a. Depreciation Expenses	.5	.5	.5	-
b. ACP Surcharges	-2.2	-2.2	-2.2	-
c. Other Rate Changes	.7	.7	-	.7
d. Passthroughs	-18.1	-	-	-
e. Other	-2.4	-1.9	-2.2	.3
13. FY 1990 Current Estimate	347.7	354.3	354.0	.3

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Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
13. FY 1990 Current Estimate	347.7	354.3	354.0	.3
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	3.7	3.7	3.7	-
2. Annualization of Prior Year Pay Raise	.9	.9	.9	-
b. Stock Fund - Fuel	-	-	-	-
c. Stock Fund - Nonfuel	-	-	-	-
d. Industrial Fund Purchases	.5	.5	.5	-
e. General Purchase Inflation	4.7	4.7	4.7	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	.2	.2	-
15. Productivity Initiatives and Other Efficiencies	-	-	-	-
16. Program Changes				
17. Other Changes:				
a. Depreciation Expenses	-1.8	-1.8	-1.8	-
b. ACP Surcharges	2.1	2.1	2.1	-
c. Other Rate Changes	-.3	-.3	-	-.3
d. Passthroughs	4.7	-	-	-
e. Other	.7	.7	.3	.4
18. FY 1991 Current Estimate	362.9	365.0	364.6	.4

NOTE: Military Personnel Notional amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

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Summary of Workload Indicators:

		(Workyears)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Direct, Research	1,906	1,960	1,971	1,970
Direct, Products and Services *	<u>70</u>	<u>73</u>	<u>73</u>	<u>73</u>
Total Direct	1,976	2,033	2,044	2,043

* Work performed for customers that is not directly related to NRL's research program, i.e., timesharing on the Cray computer, fabrication of parts for other labs, family housing costs at the Chesapeake Bay division, etc.

Summary of New Customer Orders:

		(Dollars in Millions)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	14.4	30.0	12.4	17.6
RDT&E	162.4	181.2	183.2	188.9
Procurement	9.8	10.2	10.4	10.7
Stock Fund	-	-	-	-
Other Navy Customers	76.3	69.7	71.8	73.5
Other DoD Customers	48.9	50.2	51.3	52.9
Non-DoD Customers	23.0	18.1	18.6	19.3
Total All Customers	<u>334.8</u>	<u>359.4</u>	<u>347.7</u>	<u>362.9</u>

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	3,614	3,642	3,570	3,550
Workyears	3,607	3,667	3,620	3,572
<u>Military Personnel:</u>				
End Strength	154	167	169	168
Workyears	153	161	168	168

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Summary of Purchases of Capital Assets:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts,				
Beginning of the Year	1.2	2.1	-	-
New Program Amounts	<u>13.2</u>	<u>11.4</u>	9.7	<u>10.0</u>
Total Available Program	<u>14.4</u>	<u>13.5</u>	<u>9.7</u>	<u>10.0</u>
Less Purchases of Equipment	<u>12.3</u>	<u>13.5</u>	<u>9.7</u>	<u>10.0</u>
Available Amounts,				
End of the Year	2.1	-	-	-
Unspecified Minor				
Construction Projects	1.1	1.8	1.8	1.8
Management Information				
Systems	-	-	-	-
Total Purchases of				
Capital Assets	13.4	15.3	11.5	11.8
(Total Outlays)	(14.4)	(14.7)	(12.5)	(11.4)
Total New Program for				
Capital Assets	14.3	13.2	11.5	11.8
Financing of New Program				
Amounts for Capital Assets	<u>11.2</u>	<u>13.2</u>	<u>11.5</u>	<u>11.8</u>
Depreciation	9.4	10.0	10.5	8.7
Surcharge	1.8	3.2	1.0	3.1

Department of the Navy
Navy Industrial Fund
Naval Shipyards

Activity Group Function:

Naval Shipyards provide logistic support for assigned ships and service craft; perform authorized work in connection with construction, overhaul, repair, alteration, drydocking and outfitting for ships and crafts as assigned; perform design, manufacturing, refit and restoration, research development and test work, and provide services and material to other activities and units as directed by competent authority.

Activity Group Composition:

There are eight naval shipyards operating under the Navy Industrial Fund (NIF). These activities and their locations are:

<u>Activities</u>	<u>Location</u>
Portsmouth Naval Shipyard	Kittery, ME
Philadelphia Naval Shipyard	Philadelphia, PA
Norfolk Naval Shipyard	Portsmouth, VA
Charleston Naval Shipyard	Charleston, SC
Long Beach Naval Shipyard	Long Beach, CA
Mare Island Naval Shipyard	Vallejo, CA
Puget Sound Naval Shipyard	Bremerton, WA
Pearl Harbor Naval Shipyard	Pearl Harbor, HI

Budget Highlights:

Workload

Based on the workload funded in the FY 1990/1991 budget, significant personnel reductions have been budgeted in FY 1990 and FY 1991. Such personnel reductions result in shipyards releasing direct labor employees faster than overhead employees since there is a fixed amount of overhead that is necessary to sustain operations. Therefore, budgeted direct hours drop faster than overhead expense and rates increase. Employment (workyears) is projected to drop 8.4 percent from FY 1989 to FY 1990 and approximately 5 percent from FY 1990 to FY 1991.

FY 1989

FY 1989 is expected to be a difficult year. Compared to the FY 1989 ABS, costs are projected to increase by 7.4 percent with revenue up 4.5 percent and direct workload up 2.9 percent. As a result, AOR is projected to decline an additional \$63.0 million from FY 1988 and \$369.1 million from the FY 1989 ABS.

Several factors contributed to the loss:

- 1) Due to reduced profitability redistribution of AOR from other activity

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groups to naval shipyards of \$86.4 million budgeted in the ABS will not happen. This was partially offset by an increase in the passthrough of \$40.0 million.

2) Continued fixed price and stabilized losses on prior year availabilities extending into FY 1989.

3) Significant stabilized losses at four yards more than offset stabilized gains at the other four.

4) Planned write-offs of material items that are excess to shipyard requirements thereby reducing storage, maintenance and physical inventory costs.

5) The shortfall in unique program and BOS funding in FY 1988 is budgeted as a loss to AOR in FY 1989, since final billings on miscellaneous non-ship work are not recognized until the subsequent fiscal year.

6) Although FY 1989 workload is higher than projected in the FY 1989 ABS, it is 7.0 percent lower than FY 1988. As direct workload declines, direct and variable overhead requirements are reduced but fixed overhead remains constant.

7) Audits of the six nuclear shipyards have revealed significant understaffing, particularly in the areas of shift test engineers and radiological control technicians. In addition, the audits indicated that insufficient nuclear training was being performed to maintain a safe working environment. As a result, these shipyards were directed to hire and train to minimum levels to ensure safeguards against potential accidents.

FY 1989 orders are up 4.6 percent from the FY 1989 ABS, reflecting the movement of the SSN-676 from FY 1988 to FY 1989 and other changes in the program.

FY 1990

From FY 1989, costs are projected to decline 8.6 percent, revenue 5.6 percent, and direct workload 11.7 percent. Orders are projected to increase 30.6 percent since there are eleven more short availabilities (DMP/SRA/ERP) than in FY 1989, the conversion of the second Moored Training Ship (MTS) begins at Charleston, and the SLEP of USS CONSTELLATION is fully funded.

An additional small loss in FY 1990 due to stabilized losses on prior year starts (particularly FY 1989 availabilities) is more than offset by a budgeted passthrough of \$210 million.

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FY 1991

From FY 1990, costs are projected to decline 1.4 percent, revenue .8 percent and direct workload 6.1 percent. Orders are projected to decrease 34.8 percent which reflects the full funding of the SLEP of the USS CONSTELLATION in FY 1990 and reductions in other funded workload. An additional small loss in FY 1991 due to stabilized losses on prior year availabilities is more than offset by a budgeted passthrough of \$288 million bringing AOR to -\$3.9 million.

Productivity Improvements and Management Initiatives

Cost control continues to be stressed and institutionalized at naval shipyards by reinforcing line management's responsibility by including cost control objectives in PMRS. Long Beach, for example, has taken disciplinary action by removing hiring and awards authority in cases of poor departmental cost management. Other cost cutting techniques being implemented are: promotion of accurate charging through increased application of the workload leveling shop and training in methods to prevent and correct unallocated costs; using on-call and temporary employees to compensate for short term workload imbalances; and reemphasizing on economic analysis of Asset Capitalization Program projects.

In addition, shipyards have developed the following productivity improvements and management initiatives to reduce costs.

Establishment of workload leveling shops has proven to be a very effective tool for managing and controlling imbalances in the work force (more workers in a particular trade than is required). Allowing the shops to temporarily assign their excess personnel to the workload leveling shop encourages accurate charging by the supervisors, reduces the amount of direct labor charged to the customer, establishes a pool of employees which are available to assist in areas where there is a temporary shortage of personnel, provides the equivalent of a ready response team, and enables the shipyard to retain critical skills.

Pearl Harbor established a process improvement project team for installation of the Special Hull Treatment (SHT) alteration on SSN 688 Class submarines. The team refined the process by following the Deming principles of plan, do, check, and act (PDCA) and have realized actual savings of \$1.8 million. They also shared their improvement with the other naval shipyards.

Shipyards are also exploring the use of work packaging. Work packaging is a kitting/palletizing methodology supporting production execution. The work package takes the form of discrete kits of technical information, plans, and/or material required to accomplish a known quality of work. The goal of the work packaging initiative is a reduction of one percent per fiscal year, per hull, on direct production shop charges. The reduction must be directly related to the improved efficiency of the mechanic, and must be actualized by

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direct reduction in measurable dollars. However, part of the savings will be offset by the overhead cost for assembling the kits.

Philadelphia NSY is implementing Zone Logic on the SLEP. Based on the Japanese shipbuilding/repair industry use of a zone approach vice a system approach, Zone Logic is the logical arrangement and sequencing of all facets of operations in order to bring the benefit of mass production to high variety and mixed quality production.

Shops in Philadelphia NSY have undertaken an intensive DLR "carcass return" project to identify errors, document returns and cannibalization in order to reduce full unit replacement costs and realize carcass return savings. Anticipated annual reduction in material costs for the non-return of carcasses are \$.150 million FY 1988 and \$.3 million in each of the three outyears.

ACP procurements at Long Beach have resulted in the following savings:

- 1) Machine guard program. Through reduction of potential industrial injuries, savings are expected to be realized from reduced compensation costs and increased productivity in the estimated range of \$.250 million annually.
- 2) Forging press (500 ton). This fast acting press enables shop 41 to produce quality products without waste and within tolerance and specification. It replaced an antiquated piece of equipment whose maintenance and downtime exceeded acceptable limits. Estimated yearly savings: \$92 thousand.
- 3) Spring coiler furnace. Acquisition of this furnace enables the shipyard to heat rods 20 feet in length and 1/4 inch in diameter. This piece of equipment coupled with a hot roll spring coiler opens up a spring manufacturing product line to SPCC and also accommodate a material requirement for the shipyard's repair program. Estimated yearly savings: \$110 thousand.
- 4) Replacement of 3 furnaces with 2 new heat treat furnaces reduced maintenance and energy costs by \$68 thousand annually.
- 5) A CNC plasma arc pipe burning machine was installed this year and it eliminates the old process of cutting non-ferrous pipe by hand and cuts all pipe without templates. Productivity and efficiency savings are estimated to be \$94 thousand annually.

The SAVE program for recovery of usable material is saving \$2 million per year at Puget Sound NSY. Repairables recovered through the Program generated another \$12 million. The creation of the Student Volunteer Program within the SAVE Program, using special needs students to sort nuts and bolts and to do other labor-intensive tasks, saved \$200 thousand in material (returned to Production Shops, Shop Stores, and to the supply system.) In addition, sorted scrap is sent to Disposal at greater value than unsorted.

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Actions have been taken to reduce firewatch expenditures without minimizing safety at Pearl Harbor NSY. Actual savings to the customer for USS HAWKBILL SRA was \$29 thousand. Potential savings per submarine overhaul is \$1,984 thousand. Firewatch costs continue to decrease for surface ships as well as submarines.

A Scrap Recovery Program was established in the Supply Department of Philadelphia NSY to increase collection for scrap sales. Short term improvements have yielded annual monetary returns of \$1.5 million, improved management of the scrap metal collection system, and a greater awareness of the importance of the scrap metal program. Short term successes have been impressive, and the yard is optimistic that, through careful segregation of specific types of scrap metal, a greater return will be realized.

During FY 1989 Mare Island's Inside Machine Shop (Shop 31) is scheduled to implement the first phase of Group Technology Computerized Process Planning and Resource Scheduling. The first manufacturing cell to be implemented will be a fully automated turning cell. Once this cell is fully operational, it will be utilized to manufacture the four major components of rubber insert sound isolation couplings (RISICs). These parts will be completely machined within this cell, thereby eliminating the need for other machining process prior to assembly and reducing the number of direct mandays required to perform a job. Once this project is fully operational, seven direct labor positions will be eliminated. This reduction is reflected in this budget submission starting in FY 1991.

Charleston NSY entered into a CO-OP agreement program with the local Trident Technical College (TTC) for exceptional high school students that are planning a shipyard career. Upon graduation from TTC and satisfactory completion of an apprentice evaluation test, students are placed as second year apprentices, which saves the shipyard approximately 72 mandays of overhead expenditures per employee per year. These savings are phased in, starting in FY 1989.

As a result of successfully competing with the private sector for four major overhauls and two ERP's Charleston NSY has a profit sharing plan approved by NAVSEA that provides that fifty percent of the profit from these ships will be used for shipyard facilities and the other fifty percent will be shared equally by eligible employees. (Profits are not to be disbursed until the 90-day guarantee period for each ship is complete and all overhead project costs incurred have been reconciled.) Based on financial performance to date, indications are that the shipyard will be successful in achieving the profit included in the bids; therefore, the profit-sharing estimate in last year's submission has been adjusted to more accurately reflect the current anticipated profits from all bid ships.

Several of the yards are exploring the possibility of using profit-sharing plans as an incentive for their employees.

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The Cost Schedule Control System (C/SCS) has been implemented at all naval shipyards. C/SCS relates the organizational structure to the cost and work breakdown structures to quantify the performance of individual managers against the unique cost and work functions for which each is responsible. The system defines the impact of variances between actual resource consumption (time, material, manpower, and cost) and planned consumption, thus highlighting the areas where corrective action is required. NAVSEA started validation reviews of each shipyard's system in August 1988. Reviews are projected to be complete by March 1989.

All naval shipyards are pursuing improved methods to control and reduce Federal Employees Compensation Act (FECA) costs. Specific initiatives have been undertaken to ensure employees no longer eligible for FECA rolls are removed. Ongoing cost avoidance initiatives include safety training and awareness, reemployment consideration of workers on the OWCP payroll and reassignment of shipyard workers scheduled for separation due to on-the-job injuries to light duty positions. Savings from reduced FECA costs accrue to the Department of the Navy, rather than the individual shipyards.

Other Interest Items

The Portsmouth Naval Shipyard is currently facing an asbestos litigation suit. If settlement can be reached, possible costs are expected to be in the area of \$10 million - more if individual cases are arbitrated. Settlement is not expected to occur before FY 1990 or FY 1991. The impact of future costs on this settlement is contingent on the level of future exposure that is negotiated. Since the amount of financial liability, year of settlement and source of funding is still not known, these costs have not been included in the budget submissions.

Naval Shipyard Asset Capitalization Program

FY 1985 was the first year in which the ACP funding level (\$182 million) was adequate to support the potential benefits of the program, including investments in productivity improvements, introduction of new technologies, and replacement of obsolete equipment. The gains to be realized in FY 1985 and subsequent years have been partially offset, however, by the need to fund major mission essential equipment procurements (DMP/SHT).

Funding levels in recent years were reduced by the shipyards, after a critical examination of equipment requirement, in order to improve their competitive posture. Reduced funding levels for FY 1988 and FY 1989 were also developed based on affordability and minimal requirements. FY 1988 and FY 1989 funding authorizations were further reduced as a result of obligation authority reductions for these years. The latest cuts will result in reduced funding of equipment procurements intended to improve productivity and contain the growth of future overhaul costs.

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Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	3,688.1	3,771.3	3,573.4	3,544.6
Cost of Goods and Services Sold *	<u>3,833.1</u>	<u>3,894.5</u>	<u>3,595.8</u>	<u>3,538.9</u>
Revenue Less Costs	-145.0	-123.2	-22.4	5.7
ACP Surcharge	<u>-77.5</u>	<u>-22.3</u>	<u>-6.8</u>	<u>-5.0</u>
Net Operating Results	-222.5	-145.5	-29.2	.7
Prior Year and Other Adjustments	-17.6	-48.6	-18.3	-10.1
Transfers and Passthroughs (Net)	-	131.1	210.0	288.1
Accumulated Operating Results	-382.0	-445.0	-282.5	-3.8

* Includes amounts of \$30.2 million in FY 1989, \$30.5 million in FY 1990, and \$31.3 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

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Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988	FY 1988	
	<u>Estimate</u>	<u>Actual</u>	<u>Variance</u>
Revenue	3,795.3	3,688.1	-107.2
Cost of Goods & Services Sold	<u>3,740.2</u>	<u>3,833.1</u>	<u>92.9</u>
Revenue Less Costs	55.1	-145.0	-200.1
ACP Surcharges	-77.5	-77.5	-
Inventory Adjustments	<u>-16.0</u>	<u>-17.4</u>	<u>-1.4</u>
Net Operating Results	-38.4	-239.9	-201.5

The large variance in Net Operating Results was caused by significantly larger than anticipated fixed price losses at Portsmouth, Philadelphia, Norfolk and Puget Sound partially offset by fixed price gains at the other four shipyards. Additionally, there were significantly higher than anticipated stabilized losses at the shipyards.

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Summary of Changes in Operations:

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 President's Budget	2,958.1	3,601.2	3,601.2	-
2. Congressional Adjustments	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	-	-
4. Pricing Adjustments:				
a. FY 1989 Pay Raise	-	-	20.9	-20.9
b. Military Personnel Notional Amounts	-	.2	.2	-
5. Productivity Initiatives and Other Efficiencies:				
a. Savings from ACP	-	-4.5	-10.9	6.4
b. Other (as stated in narrative)	-9.6	-11.4	-26.0	14.6
6. Program Changes:				
a. Workload Changes				
1. Direct Workyear Changes	151.3	47.8	47.0	.8
2. Other Direct Costs	23.4	78.9	78.9	-
3. Overhead Workyear Changes	10.9	30.9	30.9	-
4. Other Overhead Costs	1.2	5.9	5.9	-
b. Other Direct Cost Changes	-	20.5	20.5	-
c. Other Overhead Changes				
1. Labor	-	-	54.0	-54.0
2. Non-Labor	-	-	53.5	-53.5
d. Changes in Orders/Revenue	-58.8	-32.8	-	-32.8
7. Other Changes:				
a. Depreciation Expenses	-	-	-3.5	3.5
b. Other	-	-	5.8	-5.8
c. Change in WIP	-	34.6	68.0	-33.4
d. Passthrough	23.8	-	-	-
e. ACP Surcharge	-	-	-29.6	29.6
8. FY 1989 Current Estimate	3,100.3	3,771.3	3,916.8	-145.5

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Navy Industrial Fund
Naval Shipyards

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	24.5	24.5	24.5	-
2. Annualization of Prior Year Pay Raise	52.4	52.4	52.4	-
b. Stock Fund - Fuel	-2.1	-2.1	-2.1	-
c. Stock Fund - Nonfuel	-3.1	-3.1	-3.1	-
d. Industrial Fund Purchases	4.4	4.4	4.4	-
e. General Purchase Inflation	25.9	25.9	28.8	-2.9
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	.3	.3	-
h. Other	-	-	-	-
10. Productivity Initiatives and Other Efficiencies	-	-	-	-
a. Asset Capitalization Program (ACP)	-6.3	-6.3	-6.3	-
b. Other (as stated in narrative)	-22.5	-22.5	-22.5	-
11. Program Changes:				
a. Workload Changes	-	-	-	-
1. Direct Workyear Changes	-132.8	-132.8	-132.8	-
2. Other Direct Costs	-114.0	-112.9	-112.9	-
3. Overhead Workyear Changes	-87.4	-87.4	-87.4	-
4. Other Overhead Costs	-23.7	-23.7	-23.7	-
b. Other Direct Cost Changes	-24.6	-24.6	-24.6	-
c. Other Overhead Changes				
1. Labor	4.0	4.0	4.0	-
2. Non-Labor	-11.7	-11.7	-11.7	-
d. Changes in Orders/Revenue not related to cost changes	1,435.1	125.8	-	125.8
12. Other Changes:				
a. Depreciation Expenses	7.4	7.4	7.4	-
b. ACP Surcharges	-15.5	-15.5	-15.5	-
c. Change in WIP	-	-	6.6	-6.6
d. Passthroughs	78.9	-	-	-

Department of the Navy
Navy Industrial Fund
Naval Shipyards

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	Customer <u>Orders</u>	<u>Revenue</u>	Cost & Sur- <u>charge</u>	Net Operating <u>Results</u>
13. FY 1990 Current Estimate	4,289.2	3,573.4	3,602.6	-29.2
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	34.8	34.8	34.8	-
2. Annualization of Prior Year Pay Raise	25.7	25.7	25.7	-
b. Stock Fund - Fuel	.7	.7	.7	-
c. Stock Fund - Nonfuel	-14.0	-14.0	-14.0	-
d. Industrial Fund Purchases	2.0	2.0	2.0	-
e. General Purchase Inflation	24.8	24.8	24.8	-
f. Foreign National Indirect	-	-	-	-
g. Military Personnel Notional Amounts	-	.8	.8	-
h. Other	-	-	-	-
15. Productivity Initiatives and Other Efficiencies	-	-	-	-
a. Asset Capitalization Program (ACP)	-7.5	-7.5	-7.5	-
b. Other (as stated in narrative)	-17.5	-17.5	-17.5	-
16. Program Changes:				
a. Workload Changes				
1. Direct Workyear Changes	-45.7	-45.7	-45.7	-
2. Other Direct Costs	-1.0	-1.0	-1.0	-
3. Overhead Workyear Changes	-39.2	-39.2	-39.2	-
4. Other Overhead Costs	-11.3	-11.3	-11.3	-
b. Other Direct Cost Changes	-2.5	-2.5	-2.5	-
c. Other Overhead Changes				
1. Labor	2.7	2.7	2.7	-
2. Non-Labor	-13.0	-13.0	-13.0	-
d. Changes in Orders/Revenue not related to cost changes	-1,126.2	29.3	-	29.3

Department of the Navy
Navy Industrial Fund
Naval Shipyards

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
17. Other Changes:				
a. Depreciation Expenses	6.4	6.4	6.4	-
b. ACP Surcharges	-4.3	-4.3	-4.3	-
c. Other	-	-	-.6	.6
d. Passthrough	78.1	-	-	-
18. FY 1991 Current Estimate	3,182.2	3,544.6	3,543.9	.7

NOTE: Military Personnel amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Naval Shipyards

Summary of Workload Indicators:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
CV SLEP Conversions	1	-	2	-
ROH/COH	10	11	6	6
Other Ship Inductions (SRA, ERP, IA, PMA)	29	55	65	42

The Workload Indicators above represent actual/planned ship availability starts in each year. It should be noted that the basic shift in maintenance strategy is from longer and larger overhauls to a larger number of short duration availabilities with substantially fewer mandays. In FY 1988 through FY 1991, submarines originally due for regular overhaul will undergo Depot Maintenance Periods (DMP) which are currently planned for slightly over half the duration and manday package of a Regular Overhaul.

Summary of New Customer Orders:

	<u>FY 1988</u>	<u>(Dollars in Millions)</u>		<u>FY 1991</u>
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	2,603.8	2,661.2	3,130.9	2,749.5
RDT&E	11.1	12.7	16.1	15.6
Procurement	556.1	174.5	893.6	190.0
Stock Fund	43.1	42.5	47.4	48.0
Other Navy Customers	196.1	194.4	181.4	164.9
Other DoD Customers	12.6	6.8	9.5	5.9
Non-DoD Customers	10.8	8.2	10.3	8.3
 Total All Customers	 3,433.6	 3,100.3	 4,289.2	 3,182.2

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	71,059	67,000	60,000	59,500
Workyears	71,091	69,122	63,309	60,210
 <u>Military Personnel:</u>				
End Strength	804	660	662	661
Workyears	777	660	662	661

Department of the Navy
Navy Industrial Fund
Naval Shipyards

Summary of Purchases of Capital Assets:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts,				
Beginning of the Year	5.5	67.1	-	-
New Program Amounts	<u>135.5</u>	<u>80.9</u>	<u>74.5</u>	<u>79.8</u>
Total Available Program	<u>141.0</u>	<u>148.0</u>	<u>74.5</u>	<u>79.8</u>
Less Purchases of Equipment	<u>73.9</u>	<u>148.0</u>	<u>81.5</u>	<u>84.2</u>
Available Amounts,				
End of the Year	67.1	-	-	-
Minor Construction Projects	5.1	7.4	5.3	5.2
Management Information Systems	.3	.8	1.2	.7
Total Purchases of Capital Assets	79.3	156.2	88.0	90.0
(Total Outlays)	(128.6)	(182.1)	(158.5)	(115.8)
Total New Program for Capital Assets	140.9	89.1	81.0	85.7
Financing of New Program				
Amounts for Capital Assets	<u>135.7</u>	<u>89.1</u>	<u>81.0</u>	<u>85.7</u>
Depreciation	58.2	66.8	74.2	80.7
Surcharge	77.5	22.3	6.8	5.0

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

Activity Group Function: The mission of the Space and Naval Warfare Systems (SPAWAR) Command managed Research and Development Centers is to conduct research, development, tests and evaluations and related services. The technical effort of the centers encompasses technology base programs, advanced and engineering development, in-service engineering and fleet support in all areas of naval technology.

Activity Group Composition:

<u>Activities</u>	<u>Location</u>
David Taylor Research Center	Bethesda, Maryland
Naval Air Development Center	Warminster, Pennsylvania
Naval Coastal System Center	Panama City, Florida
Naval Ocean Systems Center	San Diego, California
Naval Surface Warfare Center	Dahlgren, Virginia
Naval Underwater Systems Center	Newport, Rhode Island
Naval Weapons Center	China Lake, California

Budget Highlights: The FY 1989 President's Amended Budget provided for the transition of the SPAWAR Research and Development Centers to appropriated fund operations in FY 1992. Subsequently, it was determined that the Centers would remain within the Industrial Fund. This budget portrays the SPAWAR Centers as NIF activities in all years. Approximately 93% of the services provided by these SPAWAR Centers are furnished to Navy customers, primarily the Research, Development, Test and Evaluation, Navy appropriation, with the balance provided mostly to other DoD and Federal customers.

The data presented incorporates productivity savings and efficiencies experienced to date as well as those projected as a result of the commercial activities (CA) program; most efficient organization (MEO) studies; energy conservation; fraud, waste, and abuse (FWA); value engineering (VE); and material recovery programs. The Model Installations Programs (MIP) at the Naval Weapons Center (NAVWPNCEN) is expected to produce both hard cost savings and cost avoidance benefits in FY 1989 and the future.

Beginning in FY 1984, significant modernization of laboratory instrumentation and equipment has begun to bring the R&D Centers into strong technical leadership roles not otherwise possible from their prior state of under-investment and obsolete equipment. The capabilities provided by ACP have given the R&D Centers increased options to (1) realize technology gains where only theory existed; (2) complete R&D with definitive results, making decision-quality information available, thereby reducing the risks of technology insertion; (3) complete R&D sooner than otherwise possible, enabling technical decisions earlier in the acquisition cycle, thereby lowering costs and subsequent risk; and (4) replace manually operated and controlled equipment with computer-controlled equipment, providing greater reliability, quality, productivity, safety, and compliance with regulations.

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

These payoffs represent powerful contributions to mission success at the R&D Centers and therefore to the current and future capabilities of the Navy. The Centers have made considerable progress in upgrading equipment. For example, at NAVWPNCEN prior to ACP, some 70 percent of the inventory of laboratory equipment exceeded its average expected useful life (EUL) of 9-10 years. At the end of FY 1987, only 44 percent of their inventory exceeded its EUL. However, reduced ACP levels reflected in this budget will have a detrimental effect on the plan to replace and upgrade laboratory equipment. Due to program cancellation, no funding is provided for the Standard Automated Financial System (STAFS) after FY 1989.

A significant amount of funding to support out-of-house work is now provided by direct citation rather than reimbursable orders. A summary of total funding managed by the Centers is presented below:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Total Funding Received</u>				
Reimbursable Orders	2,200.0	2,186.4	2,210.6	2,322.2
Direct Cite (RCP's)	<u>1,162.0</u>	<u>1,225.4</u>	<u>1,281.4</u>	<u>1,316.6</u>
TOTAL	3,362.0	3,411.8	3,492.0	3,638.8

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

Summary of Financial Operations:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue*	2,159.1	2,169.7	2,249.6	2,316.8
Cost of Goods & Services Sold*	<u>2,121.2</u>	<u>2,200.4</u>	<u>2,258.5</u>	<u>2,336.1</u>
Revenue Less Costs	37.9	-30.7	-8.9	-19.3
ACP Surcharges	-30.0	-2.8	14.7	24.3
Inventory Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	7.9	-33.5	5.8	5.0
Prior Year & Other Adjustments	-3.7	-7.5	-5.8	-5.0
Transfers and Passthroughs (Net)	-	55.4	-	45.7
Accumulated Operating Results	-60.1	-45.7	-45.7	-

* Includes amounts of \$44.9 million in FY 1989, \$45.6 million in FY 1990 and \$47.0 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	2,270.5	2,159.1	-111.4
Cost of Goods & Services Sold	<u>2,208.3</u>	<u>2,121.2</u>	<u>-87.1</u>
Revenue Less Costs	62.2	37.9	-24.3
ACP Surcharges	-30.0	-30.0	-
Inventory Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	32.2	7.9	-24.3

FY 1988 actual revenue and cost of goods sold were below estimates by 4.9 percent and 3.9 percent, respectively. These variances resulted from program delays experienced during the DoD outlay freeze and an increase in completed but unbilled direct work. The revenue variance was greater than the cost variance because of unbudgeted STAFS costs and because fewer direct hours (about 3 percent less) were worked and billed under stabilized rates than were budgeted.

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	Customer <u>Orders</u>	<u>Revenue</u>	Cost & Sur- <u>charge</u>	Net Operating <u>Results</u>
1. FY 1989 President's Budget	2,236.7	2,243.1	2,243.1	-
2. Congressional Adjustments:	-	-	-	-
3. Estimated Impact in FY 1989 of Actual FY 1988 Experience	-	-	10.5	-10.5
4. Pricing Adjustments:				
a. FY 1989 Pay Raise Revision	-	-	17.5	-17.5
b. Military Personnel Notional Amounts	-	-.1	-.1	-
c. Personnel Benefits Costs (FERS participation rates higher than previously reflected)	-	-	11.5	-11.5
5. Productivity Initiatives and Other Efficiencies:	-	-	-	-
6. Program Changes:				
a. Increased use of direct cite funding for major contracts.	-70.7	-71.6	-71.7	.1
b. Functional Transfer of Human Factors Combat/Command Systems into the Naval Ocean Systems Center	5.0	5.0	5.0	-
c. Reduced overtime levels.	-	-1.7	-1.7	-
d. Other	-	-5.0	-5.0	-
7. Other Changes:				
a. Depreciation Expenses	-	-	-16.0	16.0
b. Passthrough (for pay raise)	15.4	-	-	-
c. ACP Surcharge	-	-	2.8	-2.8
d. Repair and Maintenance of Real Property	-	-	2.1	-2.1
e. Hazardous Waste Disposal	-	-	.4	-.4
f. Additional 700 Hour appointments of Persons with Targeted Disabilities.	-	-	.3	-.3
g. Other	-	-	4.5	-4.5
8. FY 1989 Current Estimate	2,186.4	2,169.7	2,203.2	-33.5

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
8. FY 1989 Current Estimate	2,186.4	2,169.7	2,203.2	-33.5
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	13.5	13.5	13.5	-
2. Annualization of Prior Year Pay Raise(s)	10.6	10.6	10.6	-
b. Military Personnel Notional Amounts	-	.1	.1	-
c. Stock Fund - Fuel	-1.5	-1.5	-1.5	-
d. Stock Fund - Nonfuel	-.5	-.5	-.5	-
e. Industrial Fund Purchases	8.2	8.2	8.2	-
f. General Purchase Inflation	27.8	27.8	27.8	-
g. FERS Cost Assumption. Increased level of workforce in FERS	4.2	4.2	4.2	-
10. Productivity Initiatives and Other Efficiencies:				
a. Asset Capitalization Program (ACP) efficiencies and cost reductions as a result of purchases of new and modern equipment.	-8.3	-8.3	-8.3	-
b. Savings from Model Installations Program Initiatives (MIPI).	-3.3	-3.3	-3.3	-
c. Value Engineering (VE) Program savings.	-1.0	-1.0	-1.0	-
d. Personnel Contracting. Savings associated with decisions to convert to contractor performance and in-house efficiencies resulting from Commercial Activities (CA) studies.	-.7	-.7	-.7	-
e. Overhead cost reduction initiatives	-8.0	-8.0	-8.0	-

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
11. Program Changes:				
a. Closing of STAFS Project Office at Naval Ocean Systems Center	-2.5	-2.5	-2.5	-
b. Other	1.7	1.7	1.7	-
12. Other Changes:				
a. Depreciation Expenses	14.2	14.2	14.2	-
b. ACP Surcharges	-17.5	-17.5	-17.5	-
c. Other Rate Changes	33.5	33.5	-	33.5
d. Passthrough	-55.4	-	-	-
e. Center Wide Information System	3.3	3.3	3.3	-
f. Other	5.9	6.1	0.3	5.8
13. FY 1990 Current Estimate	2,210.6	2,249.6	2,243.8	5.8
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	21.4	21.4	21.4	-
2. Annualization of Prior Year Pay Raise(s)	6.4	6.4	6.4	-
b. Military Personnel Notional Amounts	-	1.4	1.4	-
c. Stock Fund - Fuel	.6	.6	.6	-
d. Stock Fund - Nonfuel	.8	.8	.8	-
e. Industrial Fund Purchases	6.4	6.4	6.4	-
f. General Purchase Inflation	26.0	26.0	26.0	-
g. FERS Cost Assumption. Increased level of workforce in FERS	3.9	3.9	3.9	-

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
15. Productivity Initiatives and Other Efficiencies:				
a. Efficiencies and cost reductions as a result of purchases of new and modern ACP equipment.	-3.0	-3.0	-3.0	-
b. Savings from Model Installations Program Initiatives (MIPI).	-3.1	-3.1	-3.1	-
c. Value Engineering (VE) Program savings.	-.5	-.5	-.5	-
d. Personnel Contracting. Savings associated with conversion to contractor performance and in-house efficiencies resulting from Commercial Activities (CA) studies.	-.8	-.8	-.8	-
16. Program Changes:	-	-	-	-
17. Other Changes:				
a. Depreciation Expenses	13.0	13.0	13.0	-
b. ACP Surcharges	-9.6	-9.6	-9.6	-
c. Other Rate Changes	-5.8	-5.8	-	-5.8
d. Passthrough	45.7	-	-	-
e. Other	10.2	10.1	5.1	5.0
18. FY 1991 Current Estimate	2,322.2	2,316.8	2,311.8	5.0

Note: Military Personnel Notional amounts are included for illustrative purposes only. Actual revenue, cost and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel Appropriations.

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

Summary of Workload Indicators:

		(Workyears)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Technology Base	2,426	2,441	2,397	2,410
Systems Development	6,552	6,606	6,623	6,610
Production Support	3,720	3,749	3,789	3,808
Operational Support	2,299	2,321	2,321	2,307
Other	269	278	226	225
TOTAL	15,266	15,395	15,356	15,360

Summary of New Customer Orders:

		(Dollars in Millions)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Navy Appropriations and Funds:				
Operation and Maintenance	332.2	396.2	377.1	418.3
RDT&E	1,063.9	1,056.3	1,082.0	1,129.6
Procurement	387.0	392.2	402.0	418.2
Stock Funds	1.1	3.0	3.0	3.1
Other Navy Customers	222.3	179.7	179.3	182.6
Other DoD Customers	173.4	143.6	151.3	154.2
Non-DoD Customers	20.1	15.4	15.9	16.2
Total All Customers	2,200.0	2,186.4	2,210.6	2,322.2

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	23,329	23,175	22,984	22,891
Workyears	23,834	23,470	23,385	23,312
<u>Military Personnel:</u>				
End Strength	1,338	1,312	1,318	1,320
Workyears	1,333	1,326	1,315	1,319

Department of the Navy
Navy Industrial Fund
Space and Naval Warfare Research and Development Centers

Summary of Purchases of Capital Assets:

	(Dollars in Millions)			
	<u>FY1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts, Beginning of the Year	-	30.4	-	-
New Program Amounts	<u>88.4</u>	<u>66.7</u>	<u>61.2</u>	<u>64.2</u>
Total Available Program	<u>88.4</u>	<u>97.1</u>	<u>61.2</u>	<u>64.2</u>
Less Purchases of Equipment	<u>58.0</u>	<u>97.1</u>	<u>61.2</u>	<u>64.2</u>
Available Amounts, End of the Year	30.4	-	-	-
Unspecified Minor Construction Projects	8.0	12.2	14.4	14.8
Management Information Systems	16.6	-	-	-
Total Purchases of Capital Assets	82.6	109.3	75.6	79.0
(Total Outlays)	(129.1)	(123.7)	(83.0)	(74.1)
Total New Program for Capital Assets	113.0	78.9	75.6	79.0
Financing of New Program Amounts for Capital Assets	<u>91.1</u>	<u>78.9</u>	<u>75.6</u>	<u>79.0</u>
Depreciation	61.1	76.1	90.3	103.3
Surcharge	30.0	2.8	-14.7	-24.3

Department of the Navy
Marine Corps Industrial Fund
Summary of Operations

Activity Group Function: The Marine Corps Industrial Fund is comprised of one activity group, the Depot Maintenance Activity (DMA) group. This activity group performs depot maintenance and related functions.

Activity Group Composition:

<u>Activities</u>	<u>Location</u>
Depot Maintenance Activity	Marine Corps Logistics Base, Albany, Georgia
Depot Maintenance Activity	Marine Corps Logistics Base, Barstow, California

Budget Highlights: The level of effort for the Marine Corps Industrial Fund for FY 1988-1991 is projected to be approximately 1,631 workyears.

The Marine Corps continues to place emphasis on achieving productivity improvements and establishing cost savings program. Such efforts have resulted in improved operations and reduced costs. For example, the installation of vertical storage retrieval systems enables the elimination of storage areas which now become productive capacity and have reduced time required in sorting through stacks of boxes for parts. In lieu of procuring a replacement for a horizontal boring mill, worn-out in service, a Gidden's and Lewis Horizontal Boring Mill was obtained from DIPEC and installed at minimal cost. Also, with the purchase of a 6 Ton Bulk CO2 Storage Tank, the required time to refill CO2 fire extinguishers has been reduced by 65 percent and the cost of the delivered CO2 has been reduced by approximately 15 percent. These costs savings are being passed on to the MCIF customers through lower overhead rates.

The Automated Production Control Systems (APCS) to be installed in both depots during FY 1989 will replace a currently antiquated manual system that is outdated and portions of which are non-supportable. This APCS will provide daily cost of operations data which is currently delayed due to location and processing times. This system will allow the two depots to operate in a more efficient and economical manner.

Significant savings for the Marine Corps Industrial Fund and its customers of approximately \$400,000 have been realized through the Beneficial Suggestion Program. For example, the reclamation of LAV steering Knuckles vice new buy will save \$387,777. Repair of the Vaneaxial Fan vice replacement will save \$35,321. The MCIF continues to encourage its personnel to submit beneficial suggestions in order to drive cost savings.

Department of the Navy
Marine Corps Industrial Fund
Summary of Operations

Summary of Financial Operations:

		(Dollars in Millions)		
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	111.5	127.4	126.0	132.2
Cost of Goods & Services Sold *	<u>107.5</u>	<u>123.9</u>	<u>123.5</u>	<u>130.3</u>
Revenue Less Costs	4.0	3.5	2.5	1.9
ACP Surcharges	-3.6	-2.7	-	-
Net Operating Results	.4	.8	2.5	1.9
Prior Year & Other Adjustments	-.7	-1.1	-2.5	-1.9
Transfers and Passthroughs (Net)	-	4.4	-	-
Accumulated Operating Results	-2.8	1.3	1.3	1.3

Note: Includes amounts of \$12.3 million in FY 1989, \$12.0 million in FY 1990, and \$12.3 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Marine Corps Industrial Fund
Summary of Operations

Summary of Changes in Operations:

	(Dollars in Millions)		
	FY 1988 <u>Estimate</u>	FY 1988 <u>Actual</u>	<u>Variance</u>
Revenue	119.7	111.5	-8.2
Cost of Goods & Services Sold	<u>116.4</u>	<u>107.5</u>	<u>-8.9</u>
Revenue Less Costs	3.3	4.0	.7
ACP Surcharges	-4.3	-3.6	.7
Refunds and Passthroughs (Net)	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Results	-1.0	.4	1.4

The Variance in Revenue of (\$8.2 million) and in Cost of Goods Sold (\$8.9 million) between President's Budget estimate and current estimate is based on a reduction of customer orders that occurred during the fiscal year due to a reduction in rebuild requirements.

Department of the Navy
Marine Corps Industrial Fund
Summary of Operations

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
1. FY 1989 Estimate in FY 1989 President's Budget	120.5	130.1	130.1	-
2. Congressional Adjustments	-	-	-	-
3. Estimated Impact in FY 1989 of Current FY 1988 Experience	-	-	-	-
4. Pricing Adjustments:				
a. Pay Raise	-	.9	.9	-
b. Military Personnel Notional Amounts	-	2.6	2.6	-
5. Productivity Initiatives and Other Efficiencies	-	-	-	-
6. Program Changes:				
a. Changes in Customer workload for such items as generators, trucks and grenade launchers	-6.8	-6.2	-7.0	.8
7. Other Changes:				
a. Depreciation Explanation	-	-	.4	-.4
b. ACP Surcharge	-	-	-.4	.4
8. FY 1989 Current Amounts	113.7	127.4	126.6	.8

Department of the Navy
Marine Corps Industrial Fund
Summary of Operations

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
8. FY 1989 Current Estimate	113.7	127.4	126.6	.8
9. Pricing Adjustments:				
a. Pay Raise				
1. FY 1990 Pay Raise	.9	.9	.9	-
2. Annualization of FY 1989 Pay Raise	.6	.6	.6	-
b. Stock Fund - Fuel				
c. Stock Fund - Nonfuel	.7	.7	.7	-
d. Purchases from Other Industrial Funds				
e. General Inflation	.6	.6	.6	-
f. Military Personnel Notional Amounts	-	-.3	-.3	-
10. Productivity Initiatives and Other Efficiencies	-	-	-	-
11. Program Changes:				
a. Decrease in Workload	-8.2	-3.5	-3.5	-
12. Other Changes:				
a. Depreciation Expenses	.6	.6	.6	-
b. ACP Surcharges	-2.7	-2.7	-2.7	-
c. Other Rate Changes	1.7	1.7	-	1.7
13. FY 1990 Current Estimate	107.9	126.0	123.5	2.5

Department of the Navy
Marine Corps Industrial Fund
Summary of Operations

Summary of Changes in Operations (Continued):

	(Dollars in Millions)			
	<u>Customer Orders</u>	<u>Revenue</u>	<u>Cost & Sur- charge</u>	<u>Net Operating Results</u>
13. FY 1990 Current Estimate	107.9	126.0	123.5	2.5
14. Pricing Adjustments:				
a. Pay Raise				
1. FY 1991 Pay Raise	1.3	1.3	1.3	-
2. Annualization of FY 1990 Pay Raise	.3	.3	.3	-
b. Stock Fund - Fuel				
c. Stock Fund - Nonfuel	-.1	-.1	-.1	-
d. Purchases from Other Industrial Funds				
e. General Inflation	.5	.5	.5	-
f. Military Personnel Notional Amount	.3	.3	.3	-
15. Productivity Initiatives and Other Efficiencies	-	-	-	-
16. Program Changes:				
a. Increase in Workload	4.5	4.1	4.1	-
17. Other Changes:				
a. Depreciation Expenses	.4	.4	.4	-
b. Other Rate Changes	-.6	-.6	-	-.6
18. FY 1991 Current Estimate	114.5	132.2	130.3	1.9

NOTE: Military Personnel amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Marine Corps Industrial Fund
Summary of Operations

Summary of Workload Indicators:

	(Unit Accomplishment During the Year)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Wheeled Vehicles	104	55	93	55
Tracked Vehicles	911	684	526	639
Communications/Electronic Equipment	259	149	268	223
Missiles	10	51	86	42
Other Repair/Rebuild Efforts	268	269	322	287
Installation of Modifications	640	474	300	465
Other	79	59	26	57

Summary of New Customer Orders:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Marine Corps Appropriations and Funds:				
Operation and Maintenance	85.6	101.1	91.2	97.9
RDT&E	-	.1	.1	.1
Procurement	2.9	8.8	9.6	9.9
Stock Funds	.2	.3	.4	.4
Other Marine Corps Customers	.3	1.1	1.7	1.3
Other DoD Customers	.3	2.3	2.9	2.5
Non-DoD Customers	.2	-	-	-
Total All Customers	<u>89.5</u>	<u>113.7</u>	<u>107.9</u>	<u>114.5</u>

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	1,620	1,630	1,630	1,630
Workyears	1,630	1,631	1,631	1,631
<u>Military Personnel:</u>				
End Strength	347	372	363	358
Workyears	292	292	292	292

Department of the Navy
Marine Corps Industrial Fund
Summary of Operations

Summary of Purchases of Capital Assets:

	(Dollars in Millions)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Equipment:				
Available Amounts, Beginning of the Year	2.4	2.4	2.4	2.3
New Program Amounts	<u>3.9</u>	<u>3.1</u>	<u>2.3</u>	<u>2.7</u>
Total Available Program	<u>6.3</u>	<u>5.5</u>	<u>4.7</u>	<u>5.0</u>
Less Purchases of Equipment	<u>3.9</u>	<u>3.1</u>	<u>2.4</u>	<u>2.7</u>
Available Amounts, End of the Year	<u>2.4</u>	<u>2.4</u>	<u>2.3</u>	<u>2.3</u>
Unspecified Minor Construction Projects	2.1	1.9	.9	.9
Management Information Systems	.5	.5	.2	.2
Total New Program	6.5	5.5	3.4	3.8
(Total Outlays)	(2.8)	(10.5)	(5.8)	(4.6)
Financing of Total New Program for Capital Assets				
Amounts Financed By:	<u>6.0</u>	<u>5.5</u>	<u>3.4</u>	<u>3.8</u>
Depreciation	2.4	2.8	3.4	3.8
Surcharge	3.6	2.7	-	-

Department of the Navy
Marine Corps Industrial Fund
Program and Financing Summary

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Fund Balance (Unobligated Balance Available) Start of Year	50.0	36.1	30.3	24.1
New Customer Orders:				
Federal Funds	89.5	113.7	107.9	114.5
Trust Funds	-	-	-	-
Non Federal Funds	-	-	-	-
Total New Customer Orders	89.5	113.7	107.9	114.5
Obligations:				
Total MCIF Obligations	103.4	119.5	114.1	118.7
Fund Balance (Unobligated Balance Available) End of Year	36.1	30.3	24.1	19.9

Department of the Navy
Marine Corps Industrial Fund
Statement of Financial Condition

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Assets:				
Cash *	21.5	21.5	21.5	21.5
Accounts Receivable	3.5	3.9	3.9	4.6
Advances Made	-	-	-	-
Inventories	7.8	6.9	7.3	9.0
Other Assets	4.4	1.6	2.1	1.4
Capital Property (Net)	35.2	35.6	35.4	35.7
Total Assets	72.4	69.5	70.2	72.2
Liabilities:				
Accounts Payable	1.9	2.3	2.3	2.3
Accrued Liabilities	7.8	11.2	12.4	13.2
Advances Received	-	-	-	-
Unfunded Liabilities	-	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	9.7	13.5	14.7	15.5
Government Equity				
Appropriations/Reappropriations	4.6	4.6	4.6	4.6
Paid-in Capital (Assets Capitalized Less Liabilities Assumed)	31.2	16.6	13.6	13.0
Earnings Used for Operations	29.7	33.5	36.0	37.8
Accumulated Operating Results	-2.8	1.3	1.3	1.3
Total Government Equity	62.7	56.0	55.5	56.7
Total Liabilities and Equity	72.4	69.5	70.2	72.2
* Includes Cash:				
(Available for Operations)	8.9	13.1	10.0	10.9
(Required for ACP Purchases)	12.6	8.4	11.5	10.6

Department of the Navy
Marine Corps Industrial Fund
Statement of Revenue and Expense

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Revenue *	111.5	127.4	126.0	132.2
Expense: *				
Salaries and Wages	55.5	55.9	58.6	58.9
Materials, Supplies and Parts	37.7	43.4	40.2	43.6
Depreciation	2.4	2.8	3.4	3.8
Fuel	.2	.2	.2	.3
Contractual Services	10.0	4.1	3.5	4.5
Other Expenses	1.7	17.5	17.6	19.2
Subtotal, Cost of Goods and Services Produced	107.5	123.9	123.5	130.3
Work in Process:				
Beginning of the Year (+)	-	-	-	-
End of the Year (-)	-	-	-	-
Cost of Goods and Services Sold	107.5	123.9	123.5	130.3
Revenue less Expenses	4.0	3.5	2.5	1.9
Inventory Adjustments (+/-)				
ACP Surcharge (-)	-3.6	-2.7	-	-
Net Operating Results	.4	.8	2.5	1.9

Note: Includes amounts of \$12.3 million in FY 1989, \$12.0 million in FY 1990, and \$12.3 million in FY 1991 paid from DoD Military Personnel appropriations. These amounts are included for illustrative purposes only. Actual revenue, cost, and rates, as well as amounts reflected in DoD customer accounts, exclude amounts paid from Military Personnel appropriations.

Department of the Navy
Marine Corps Industrial Fund
Analysis of Changes in Government Equity

	(In Millions of Dollars)			
	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Appropriations/Reappropriations:				
Opening Balance	4.6	4.6	4.6	4.6
Transactions:	-	-	-	-
Closing Balance	4.6	4.6	4.6	4.6
Paid-in Capital:				
Opening Balance	29.1	31.2	16.6	13.6
Transactions:				
Assets and Liabilities				
Capitalized and Decapitalized	2.1	-14.6	-3.0	-.6
Closing Balance	31.2	16.6	13.6	13.0
Earnings Used for Operations:				
Opening Balance	25.6	29.7	33.5	36.0
Transactions:				
ACP Surcharge	3.6	2.7	-	-
Other Adjustments	.5	1.1	2.5	1.8
Closing Balance	29.7	33.5	36.0	37.8
Accumulated Operating Results:				
Opening Balance	-2.5	-2.8	1.3	1.3
Transactions:				
Net operating gain or loss	.4	.8	2.5	1.9
Prior year and other adjustments	-.7	-1.1	-2.5	-1.9
Passthrough	-	4.4	-	-
Closing Balance	-2.8	1.3	1.3	1.3
Total Government Equity				
End of the Year	62.7	56.0	55.5	56.7

Department of the Navy
Marine Corps Industrial Fund
Summary of Base Operations Support

Description of Specific Base Operations Support Functions Performed: The Marine Corps Industrial Fund activities, which are tenant activities, perform real property maintenance and base operations support functions in support of the industrial mission.

The major elements of this program are:

Maintenance & Repair of Real Property - Finances scheduled day-to-day recurring maintenance, and emergency service work needed to preserve facilities. In addition, it provides major repairs necessary to bring existing facilities into adequate condition to support assigned missions.

Minor Construction - Finances the erection, installation or assembly of real property facilities; the addition, extension, alteration, conversion or replacement of existing real property facilities; the relocation of real property facilities; and the installation of equipment which becomes part of a facility. Projects financed through the Asset Capitalization Program are not included.

Operation of Utilities - Includes operating expenses for purchased electricity, electricity generating plants, purchased steam and hot water, heat plants, utility distribution systems, waste systems, air conditioning and refrigeration plants.

Other Engineering Support - Includes operating expenses for public works services, engineering services, custodial services, refuse/garbage collection and disposal, snow removal, rental and leasing of real property, and fire protection and firefighting. Additionally, hazardous waste material handling is included in this element and provides for personnel, supplies and training associated with the identification and disposal of hazardous waste.

Payments to GSA - Includes costs to reimburse the General Services Administration in accordance with Public Buildings Amendment Act of 1972 (P.L. 92-313) which requires a users service charge payment to GSA for occupied space.

Administration - Includes the General and Administrative costs for support functions of administration and command, management engineering and industrial management, comptroller services, civilian manpower management, military personnel management, administrative office services, word processing, personnel planning functions, miscellaneous services and functions, support groups/units assigned to those functions. ADP support expenses are shown separately under Automated Data Processing Services.

Department of the Navy
Marine Corps Industrial Fund
Summary of Base Operations Support

Description of Specific Base Operations Support Functions Performed cont'd:

Retail Supply Operations - Includes the costs for support functions of storage and warehousing operations, waterfront operations, stock control, traffic management, inventory control, procurement operations, contract administration and special projects. Supply wholesale and depot operations are excluded.

Maintenance of Installation Equipment - Includes the costs for maintenance of major equipment including: assigned station craft, service and miscellaneous craft, construction equipment, general support, electronic engineering, electronic, weapons and other technical support.

Bachelor Housing Operations and Furnishing - These costs are not included in the industrial fund operations.

Morale, Welfare and Recreation - These costs are not included in the industrial fund operations.

Other Base Services - Includes the cost for support functions including operation and maintenance of vehicles and vehicle transportation, of other transportation equipment, transportation equipment rentals, transportation operations to include railroads, port handling, cranes and tugs, other operating costs, air operations, other base services, port service and operations.

Other Personnel Support - Includes the costs for support functions associated with personnel support. These costs include costs for human goals program and station hospitals, medical and dental clinics.

Base Communications - Includes costs for administrative base communications, telecommunications centers supporting a base complex and base telephone; industrial security networks; paging networks.

Audiovisual - Includes costs of supplies and services required for audiovisual support.

Automated Data Processing - Includes costs for analysis, programming, equipment rental, operations and maintenance, contractual services and supplies. Costs identified to specific customers and costs financed through the Asset Capitalization Program are not included.

Physical Security - Includes costs for physical security.

Department of the Navy
Marine Corps Industrial Fund
Summary of Base Operations Support

Financial Summary of Base Operations Support:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
Real Property Maintenance Activities	<u>6.6</u>	<u>6.4</u>	<u>5.9</u>	<u>6.8</u>
Maintenance & Repair of				
Real Property	2.5	2.5	2.6	2.5
Minor Construction	.5	.5	.5	.5
Operation of Utilities	3.0	2.9	2.4	3.1
Other Engineering Support	.6	.5	.4	.7
Other Base Operations Support	<u>27.5</u>	<u>27.1</u>	<u>26.7</u>	<u>29.8</u>
Payments to GSA	-	-	-	-
Administration	26.7	26.4	26.0	28.9
Retail Supply Operations	-	-	-	-
Maintenance of Installation				
Equipment	.7	.4	.4	.5
Bachelor Housing Operations				
and Furnishing	-	-	-	-
Morale, Welfare and Recreation	-	-	-	-
Other Base Services	-	-	-	-
Other Personnel Support	-	-	-	-
Base Communications	.1	.3	.3	.4
Audiovisual	-	-	-	-
Automated Data Processing	-	-	-	-
Physical Security	-	-	-	-
Base Operations Support by Function	34.1	33.5	32.6	36.6
Notional Military Personnel Costs	-	1.2	1.2	1.2
Total Base Operations Support	34.1	34.7	33.8	37.8

Department of the Navy
Marine Corps Industrial Fund
Summary of Base Operations Support

Summary of Changes in Base Operations Support:

(In Millions of Dollars)

	<u>Cost of Operations</u>
1. FY 1989 President's Budget	33.2
2. Congressional Adjustments	-
3. Estimated Impact in FY 1988 of Actual FY 1988 Experience	-
4. Pricing Adjustments:	
a. Pay Raise	
(1) FY 1989 Pay Raise	.2
(2) Annualization of Prior Year Pay Raise(s)	
b. General Purchase Inflation	.1
5. Productivity Initiatives and Other Efficiencies:	-
6. Program Changes:	-
7. Other Changes:	-
8. FY 1989 Current Estimate	33.5
9. Pricing Adjustments:	
a. Pay Raise	
1. FY 1990 Pay Raise	.2
2. Annualization of Prior Year Pay Raise	
b. Stock Fund - Fuel	
c. Stock Fund - Nonfuel	
d. Industrial Fund Purchases	
e. General Purchase Inflation	1.1
10. Productivity Initiatives and Other Efficiencies:	-
11. Program Changes:	-2.2
12. Other Changes:	-
13. FY 1990 Current Estimate	32.6

Department of the Navy
Marine Corps Industrial Fund
Summary of Base Operations Support

Summary of Changes in Base Operations Support (Continued):

(In Millions of Dollars)

	<u>Cost of Operations</u>
13. FY 1990 Current Estimate	32.6
14. Pricing Adjustments:	
a. Pay Raise	
1. FY 1991 Pay Raise	.2
2. Annualization of Prior Year Pay Raise	
b. Stock Fund - Fuel	
c. Stock Fund - Nonfuel	
d. Industrial Fund Purchases	
e. General Purchase Inflation	1.1
g. Other	
15. Productivity Initiatives and Other Efficiencies:	-
16. Program Changes:	2.7
17. Other Changes:	-
18. FY 1991 Estimate	36.6

Performance Criteria and Evaluation

Title

	<u>FY 1988</u>	<u>FY 1989</u> <u>Estimate</u>	<u>FY 1990</u> <u>Request</u>	<u>FY 1991</u> <u>Request</u>
A. Maintenance/Repair, Real Property (\$000)				
Military Personnel W/Y	2,462	2,476	2,568	2,535
Civilian Personnel W/Y				
Total Personnel Workyears (W/Y)	0	0	0	0
Recurring Maintenance/Repair (\$000)	247	260	269	278
Major Repair Projects (\$000)	2,215	2,216	2,299	2,257
Backlog, Maintenance & Repair (\$000)	6,427	4,611	4,464	4,116
Unaccompanied Personnel Housing Floor Space (000 sq. ft.)	1,085	1,085	1,085	1,085
All Other Floor Space (000 sq. ft.)				
B. Minor Construction (\$000)				
Military Personnel W/Y	511	500	502	504
Civilian Personnel W/Y				
Total Personnel W/Y				
Number of Projects	19	22	25	22
C. Operation of Utilities (\$000)				
Military Personnel W/Y	3,023	2,914	2,388	3,136
Civilian Personnel W/Y				
Total Personnel W/Y				
Electricity (MWH)	11,020	10,260	9,950	10,500
Heating (MBTU)	45,300	42,600	47,100	47,400
Water, Plants & Systems (000 gals)	880	870	870	870
Sewage & Waste Systems (000 gals)	2,660	2,510	2,510	2,510
Air Conditioning and Refrigeration (Ton)				

Title

	<u>FY 1988</u>	<u>FY 1989</u> <u>Estimate</u>	<u>FY 1990</u> <u>Request</u>	<u>FY 1991</u> <u>Request</u>
D. Other Engineering Support (\$000)				
Military Personnel W/Y	550	532	398	656
Civilian Personnel W/Y				
Total Personnel W/Y				
Fire Protection/Prevention, Rescue W/Y				
Custodial Services (000 sq. ft.)	86	71	99	100
Refuse Collection/Disposal (000 cu. yds.)				
E. Payments to GSA (\$000)	-	-	-	-
Standard Level User Charges (\$000)				
Leases Space (000 sq. ft.)				
Recurring Reimbursements (\$000)				
One time Reimbursements (\$000)				
F. Administration (\$000)				
Military Personnel W/Y	26,658	26,286	25,904	28,836
Civilian Personnel W/Y	25	25	25	25
Total Personnel W/Y	375	447	399	398
Number of Bases, Total	400	472	424	423
(CONUS)	2	2	2	2
(Overseas)	2	2	2	2
Population Served, Avg. Total E/S				
(Military, Avg. E/S)	1,950	2,013	2,013	2,013
(Civilian, Avg. E/S)	347	383	383	383
	1,603	1,630	1,630	1,630

Title

	<u>FY 1988</u>	<u>FY 1989</u> <u>Estimate</u>	<u>FY 1990</u> <u>Request</u>	<u>FY 1991</u> <u>Request</u>
G. Retail Supply Operations (\$000)				
Military W/Y	-	-	-	-
Civilian W/Y				
Total Personnel W/Y				
Line Items Carried (000)				
Receipts (000)				
Issues (000)				
H. Maintenance of Installation Equipment (\$000)				
Military W/Y	688	430	440	453
Civilian W/Y				
Total Personnel W/Y				
No. of Work Orders				
I. Bachelor Housing Ops./Furnr. (\$000)				
Military W/Y	-	-	-	-
Civilian W/Y				
Total Personnel W/Y				
No. of Officer Quarters				
No. of Enlisted Quarters				
J. Morale, Welfare and Recreation (\$000)				
Military W/Y	-	-	-	-
Civilian W/Y				
Total Personnel W/Y				
Population Served, Avg. Total E//S				
(Military Avg. E/S)				
(Civilian/Dependents, Avg. E/S)				

Title

K. Other Base Services (\$000)				
Military E/S	36	38	38	40
Civilian E/S				
Total Personnel E/S	8	8	8	8
Number of Motor Vehicles, Total				
(Owned)	8	8	8	8
(Leased)				
Number of Miles Driven	72,547	72,547	72,547	72,547
L. Other Personnel Support (\$000)				
Military W/Y				
Civilian W/Y				
Total Personnel W/Y				
Population Served, Avg. Total E/S				
(Military, Avg. E/S)				
(Civilian, Avg. E/S)				
Meals Served (In Mandays)				
M. Base Communications (\$000)				
Military W/Y	138	290	297	411
Civilian W/Y				
Total Personnel W/Y				
Number of Instruments	682	784	784	784
Number of Main Lines	503	503	503	503
Daily Average Message Traffic				
Defense Data Network (\$000)				

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
		<u>Estimate</u>	<u>Request</u>	<u>Request</u>
N. Audio Visual (\$000)	-	-	-	-
Military W/Y				
Civilian W/Y				
Total Personnel W/Y				
	26	26	26	26
O. ADP (\$000)				
Military W/Y				
Civilian W/Y				
Total Personnel W/Y				
P. Physical Security (\$000)				
Military W/Y	1	1	1	1
Civilian W/Y	8	8	8	8
Total Personnel W/Y	8	8	8	8

Department of the Navy
Marine Corps Industrial Fund
Summary of Base Operations Support

Summary of Personnel Resources:

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel:</u>				
End Strength	375	447	399	398
Workyears	375	447	399	398
<u>Military Personnel:</u>				
End Strength	33	33	33	33
Workyears	33	33	33	33